On the rack

Japanese carmakers face up to recession

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Of soap and scotch

Can marketing skills be transferred?

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The EC's mighty micro-state

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FINANCIAL TIMES

Europe's Business Newspaper THURSDAY OCTOBER 21 1993

Corporate investors to be admitted to Lloyd's

Lloyd's Names, the individuals whose assets have traditionally supported underwriting in the Lloyd's of London insurance market, voted in favour of plans to admit corporate investors, marking an fundamental change in the 300-year old insurance market.

Corporate capital is a cornerstone of a radical plan to overhaul Lloyd's, the world's largest insurance market, after record losses in the past three years.

Many Lloyds Names face financial ruin arising from their unlimited liability for the market's losses and have been forced to stop underwriting.

Threat to Canada helicopter deal: A UK-Italian consortium and Canadian defence chiefs are preparing a last effort to dissuade leaders of Canada's Liberal party from cancelling a C$5.8bn (US$4.3bn) helicopter order after Monday's general election, which the Liberals appear almost certain to win. Page 16

EC leaders to back Belgian for EMI: European Community leaders are likely to back Belgian Alexandre Lamfalussy next week as a compromise candidate to head the European Monetary Institute, forerunner of a European central bank. Page 16

Heitmann wants new role for Germany: Chancellor Helmut Kohl's controversial conservative candidate for the German state presidency, Steffen Heitmann, has been telling German audiences that the country's "disastrous special role" in the post-war era is over. Page 16; Editorial comment, Page 15; Stability returning to German economy, Page 3; Kohl learns to say Nein to EC partners, Page 2

Exclusive in Saturday's FT

Lord Howe

What I think of Thatcher's memoirs

Serb parliament dissolved: Serbian president Slobodan Milosevic dissolved the Serbian parliament because of "political obstruction". Elections are planned for December 19.

Compaq Computer, US computer group, reported net income of $106.77m for the third quarter, more than double last year's $49.37m. Compaq is benefiting from its continued emphasis on cost control and product innovation. Page 17

US focuses on hard drugs: The US Clinton administration outlined a new drug control policy that would aim to focus on hard-core drug use rather than casual use. Page 4

Christopher cautions EC over Gatt: Warren Christopher, the US secretary of state, reminded western Europe that the US values economic co-operation as much as improving the security partnership. Page 4

US presses Japan on car market: Japan came under renewed US pressure to expand access for foreign-made cars and car parts. Page 6; Japanese carmakers on the rack, Page 15

Japanese censorship of textbooks: The Japanese education ministry went too far it legally changed parts of a school history textbook which covered Japanese aggression in Asia 31 years ago, the Tokyo high court ruled. Page 8

Herpes drug battle opens: Wellcome and SmithKline Beecham, the UK pharmaceuticals groups, opened the battle for the world's rapidly-growing herpes and shingles treatment market, as they outlined their successors to Wellcome's best-selling product Zovirax, which generated sales last year of £586m. Page 17

Union des Assurances de Paris (UAP), France's largest insurance group, forecast recovery for the company after announcing results for the first six months showing net profits of FFr599m ($103.6m), a 15 per cent rise year on year. Page 17

Smiths Industries, the UK-based aerospace, medical systems and industrial products group, saw share prices rise more than 10 per cent as profits from the medical systems side rose 40 per cent to £41.3m ($61.5m). Annual pre-tax profits rose slightly from £102.2m to £104.6m. Page 17; Lex, Page 16

Dasa to close sites, shed jobs

Restructuring aims to save $920m a year as earnings and sales prospects weaken

By Christopher Parkes in Frankfurt

DEUTSCHE AEROSPACE (Dasa), the aircraft, defence and satellites division of Daimler-Benz, is to shut six German sites, shed non-core activities and make further heavy cuts in its workforce by the end of 1996.

The long-awaited restructuring will save the lossmaking company DM1.5bn ($920m) a year, Mr Jürgen Schrempp, chairman, said yesterday. The aim, as before, was to return to profit in 1995.

Mr Schrempp said turnover this year would be DM1.2bn lower than the DM16bn planned. New orders would be DM3bn below expectations.

The measures were a response to "increasingly unfavourable earnings and sales prospects", and were intended to strengthen the company, he said.

Mr Schrempp, a dogged defender of the beleaguered Eurofighter joint venture, has often complained of lack of support from Bonn. A new report on the British, Italian, Spanish and German joint venture by the national audit office, and due to reach the defence ministry soon, again criticises the project for poor management and excessive costs.

"But the question remains whether and to what extent those people who have an essential influence on the economic and political environment are prepared to make their contribution to the continuance of the aerospace industry in Germany," he said.

Dasa's defence sales, which in 1991 accounted for 50 per cent of turnover, generate only 27 per cent of revenues. Meanwhile, federal spending on military hardware of DM12bn a year in 1990, is scheduled to fall to DM6bn next year as part of efforts to reduce the government deficit.

Two of the sites earmarked for closure are part of Dasa's Airbus commercial airliner business, the other four are all defence-related. Company executives said only 120 AirBuses would be built next year, compared with original plans to roll out 216.

Businesses scheduled for disposal are believed to include Dornier medical technology, while Dasa is to attempt to bolster its guided missiles arm through a joint venture with France. The company already has close links with Aerospatiale in the Eurocopter military and civilian helicopter project.

News of the cuts immediately stirred protests, notably from the government of Lower Saxony, where Dasa's Lemwerder aircraft maintenance site, employing 1,136, is to close. Mr Peter Fisher, regional economics minister, said the government would not accept the shutdown, and reminded Daimler of the drawn-out protests which hampered the closure of its Olympia office equipment works last year.

Dasa workers' councils are also understood to be angry over alleged lack of consultation. The jobs programme, which overlaps with earlier plans, involves cutting around 5,000 further places. The company had previously planned to reduce its payroll to 74,500 by the end of next year. The figure will now fall to around 69,700 by the end of 1996.

Rationalisation follows the rapid expansion of Dasa, which has been blighted by the ending of the cold war and the long-running international recession.

The company was formed in early 1989 as part of Daimler chairman Edzard Reuter's aim to build a "technology group" on the foundations of basis of Mercedes-Benz automotive business.

Since then it has greatly extended its range through acquisition and joint ventures. Last year Dasa lost DM341m on sales of DM17bn.

Prospects recede for Nato enlargement

By David White, Defence Correspondent, in Travemünde, Germany

PROSPECTS for the enlargement of Nato yesterday receded when the US tabled a "partnership for peace" proposal, which instead foresees a series of agreements strengthening ties with eastern Europe.

The US proposal for individually negotiated defence agreements between Nato and former members of the Warsaw Pact, will be discussed by Nato defence ministers in Travemunde, Germany, this morning

It is seen as an attempt to take the steam out of discussions on a future enlargement of the alliance to include some of its former enemies.

Nato fears that inviting some countries to join it would alienate Russia and create divisions in eastern Europe.

A Nato summit, due to address the issue in January, is unlikely to make any specific commitment on enlargement beyond stating that the alliance is not a "closed shop", according to allied officials.

"At some stage, the enlargement of Nato is an option which cannot be ruled out," Mr Malcolm Rifkind, British defence secretary, said.

But he hinted that this would be a number of years away. In the meantime, it was important to build "substantive" military links.

The US proposal would mean that each eligible country would negotiate a bilateral agreement with Nato. This would not involve extending to eastern Europe Nato allies' pledge to come to each other's defence.

"Nobody is talking about security guarantees at the moment," one allied official said.

The plan would include Russia but its relationship would be different from countries such as the Czech Republic, Poland or Hungary.

Similar agreements would also be open to neutral or non-aligned countries, such as Sweden and Austria. They would involve differing degrees of co-operation, for instance in peace-keeping, military training and assistance.

Mr Volker Rühe, the German defence minister, who has actively promoted discussion of NATO enlargement, made clear he was still pressing for an eventual extension of membership. But he was not calling for eligible countries to be identified or for a time-table for entry.

The US plan still has to be discussed with France, which is not represented at the informal two-day meeting here. However, France has also been anxious for Nato to play down the enlargement issue.

Binding tie: US defence secretary Les Aspin (right) with German counterpart Volker Rühe and Nato secretary-general Manfred Wörner Reuter

BAe holds regional aircraft talks with Indonesia

By Paul Betts, Aerospace Correspondent

BRITISH AEROSPACE is raising the stakes over its troubled efforts to form a regional aircraft joint venture with Taiwan by conducting parallel negotiations with Indonesia.

BAe confirmed yesterday it was having "an exploratory dialogue regarding regional aircraft with Indonesia", adding that the discussions involved turboprop commuter aircraft as well as regional jets.

BAe has a strong relationship with Indonesia's state aircraft industry. Indonesia bought £500m worth of BAe Hawk trainer-fighter aircraft this year, the biggest military export order BAe has clinched outside Saudi Arabia. There is also the possibility of Indonesia assembling Hawk aircraft were it to acquire further military jets from BAe.

The disclosure is expected to strengthen BAe's hand in its complex and long drawn out negotiations with Taiwan this week which appear to be on the verge of collapse.

While still tentative, the Indonesian proposal would involve much broader co-operation, including BAe's Jetstream turboprop operations based at Prestwick, Scotland, as well as the RJ regional jet activities based at Woodford, near Manchester.

BAe has been seeking to forge international partnerships for both its regional jet and turboprop aircraft activities as an integral part of its recovery strategy.

Both regional jets and turboprops have continued to lose money and BAe said last week it was cutting 630 jobs out of the 2,500 employed on the turboprop activities at Prestwick. The regional jet operations employ about 3,000 people in the UK.

BAe has been losing patience over what it sees as Taiwan's delaying tactics on the proposed joint venture which involves only its regional jet activities.

Mr John Cahill, BAe chairman, yesterday began talks in Taiwan to try to salvage the deal. But the

Continued on Page 16
Minister champions BAe deal, Page 6

British Foreign Office tries to bury a few Euro-myths

By Lionel Barber in Brussels

IT'S OFFICIAL. There is no EC ban on curved cucumbers; there is no such thing as a standard Euro-lavatory; and reports that the EC intends to ban traditional British mince, fresh-farm turkeys and the sale of ripe pheasant are simply not true.

The British Foreign Office would also like the rest of the world to know that it is untrue that Mr Jacques Delors' head will appear on British notes and coins; that EC rules prohibit British oak from being used for Euro-furniture because it is too knotty; and that charity shops will not be able to sell second-hand toys.

These findings appear in a new British Foreign Office study published today which aims to lay to rest some of the wilder stories about Community-wide legislation, particularly that involving the Single European Act. The project is the inspiration of Mr Douglas Hurd, the British foreign secretary.

Mr Hurd's pamphlet on "Euro-myths and Euro-scares" is an attempt to better inform a British public notoriously ambivalent about the Community.

However, it is also a counter-blast against British Euro-sceptics who hijacked the recent conference of the ruling Conservative party. In a self-penned introduction, Mr Hurd appeals for a British sense of fair play.

The single market obviously requires EC legislation, both to protect the British business selling abroad and the British consumer buying goods from elsewhere in the EC. "But we need to strike the right balance," he says.

The Foreign Office used Britain's popular press as the source for many of the Euro-myths, but it also concedes that some of the fairy tales are grounded in fact. Hence, it is true that EC rules will restrict British wine production, even though the UK is a minnow compared with France, Germany, Italy and Spain. EC rules say that countries producing more than 2.5m litres of wine a year may not plant new vines.

It is also fact that carrots are listed as a fruit under a 1979 EC directive on jam.

This was agreed so that the Portuguese could continue using carrots in the production of jam.

Less black and white, perhaps, is the British view on the EC directive on limiting the working week to 48 hours. Her Majesty's government's position remains that the law is "pointless, unwelcome and will be challenged in the European Court of Justice" once it has been adopted.

STOCK MARKET INDICES

FT-SE 100:	3156.3	(+26.7)
Yield	3.72	
FT-SE Eurotrack 100	1348.34	(+2.07)
FT-A All-Share	1557.89	(+0.8%)
Nikkei	20,173.42	(+103.51)
New York lunchtime:		
Dow Jones Ind Ave	3635.60	(+0.28)
S&P Composite	465.34	(-0.87)

US LUNCHTIME RATES

Federal Funds:	2⅞%
3-mo Treas Bills: Yld	3.096%
Long Bond	106½
Yield	5.819%

LONDON MONEY

3-mo Interbank	5¾	(same)
Liffe long gilt future:	Dec 115½	(Dec114⅔)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$17.04	(16.95)

Gold

New York Comex (Dec)	$373.8	(370.3)
London	$372.0	(367.0)

STERLING

New York lunchtime:		
$	1.4898	
London:		
$	1.49	(1.492)
DM	2.45	(2.4425)
FFr	8.66	(8.6275)
SFr	2.1675	(2.155)
Y	160	(159.75)
£ Index	79.9	(79.7)

DOLLAR

New York lunchtime:		
DM	1.6485	
FFr	5.818	
SFr	1.456	
Y	107.48	
London:		
DM	1.645	(1.637)
FFr	5.8125	(5.7825)
SFr	1.455	(1.444)
Y	107.3	(107.05)
$ Index	65.8	(65.6)

Tokyo close Y 107.38

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45		
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00		
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20		
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Syria	S£50.00		
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Tunisia	Din1.250		
France	FFr9.00	Kuwait	Fils600	Poland	Zl 22,000	Turkey	L8000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	UAE	Dh11.00		

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Ireland and Brussels clash on aid

By David Gardner in Brussels

THE Irish government and the European Commission yesterday clashed over regional aid, in what officials on both sides fear could be a widening row spreading into next week's EC summit in Brussels.

Dublin fears it will not now get the I£7.8bn (£7.5bn) in structural aid it believes it was promised after marathon negotiations in Brussels in July, during which Ireland threatened to veto the EC's Ecu157bn (£122bn) regional aid programme for 1994-1999.

Irish officials say Mr Jacques Delors, the Commission president, is going back on the pledge he gave to Mr Dick Spring, Ireland's foreign minister, in the early hours of July 20 when Dublin lifted its veto. Mr Delors responded angrily yesterday, telling RTE, Irish Television: "I always have the custom of fulfilling my promises; this is a lie."

The Commission meets in special session this morning to decide on a proposal from Mr Bruce Millan, commissioner for regional policy, which would give Ireland only around Irish I£7.2bn.

A decision was delayed at yesterday's weekly meeting of the EC executive, when Ireland's commissioner, Mr Padraig Flynn, invoked a rarely used internal Commission regulation to demand a postponement.

Mr Flynn said yesterday that the lower payment was "not in accordance with the agreement between Ireland and the Commission".

In the interim, the Irish prime minister, Mr Albert Reynolds, has had several telephone conversations with Mr Delors, and Dublin was last night considering sending a high-level delegation to Brussels.

One Irish source described the dispute as "the biggest political row in 20 years of (Irish) membership of the Community" and forecast an "untidy" EC summit next week.

Ireland's share of the 1994-99 structural aid budget comes from the Ecu96.3bn devoted to backward regions of the Community, whose per capita income is below 75 per cent of the EC average.

The four poorest, or "cohesion" countries - Ireland, Spain, Portugal and Greece - will get Ecu70bn of this, plus an additional Ecu15.5bn from the so-called Cohesion Fund, devoted to helping them catch up with the Community's environment and transport infrastructure standards.

In the three long rounds of ministerial horse-trading in July, however, the Commission pledged Ecu2bn more to so-called Objective 1 member states than it has to give, senior Brussels officials confirmed yesterday.

As well as Ireland, Greece, Portugal and Italy are unhappy with their allocations, while Germany and the UK, the EC's main paymasters, are certain to insist the regional aid ceiling agreed at the 1992 Edinburgh summit is not exceeded.

Under the 1989-93 structural aid budget, sparsely populated Ireland received between two and two-and-a-half times more funding per head than its three "cohesion" partners.

One senior Commission official said that even on the lowest figures now cited, Ireland is still "measurably in front of the other three."

Mr Delors said, however, that what the Commission was discussing today was a "minimum, indicative number", which could rise later.'

The government of Mr Reynolds, however, now finds itself in a political bind, having written I£8bn in EC funding into its I£20bn national development plan for the next five years.

Mr Millan remarked yesterday: "I daresay when you're talking about money, lots of people get disappointed."

Stability returning to German economy

By Christopher Parkes in Frankfurt and Quentin Peel in Bonn

WEST GERMAN indicators suggest the economy is stabilising, the economics ministry said yesterday, as the growth of money supply edged closer to the Bundesbank's target range and money market interest rates fell slightly.

Both events indicated a more stable environment for the central bank to continue its series of cautious reductions in short-term interest rates, economists suggested.

The ministry's monthly report pointed to a "slightly less pessimistic" assessment by businesses for the first time in the past year. This coincided with a marginal improvement in demand in the manufacturing sector, and a stabilisation in industry as a whole.

Economists suggested that today's meeting of the Bundesbank's central council would not bring further cuts in the key discount rate, presently at 6.25 per cent.

The M3 measure of money supply grew at a seasonally adjusted annualised rate of 7 per cent last month, compared with 7.2 per cent in August and the bank's upper target limit of 6.5 per cent. However, total money supply rose moderately during the month after weakening in August, the bank added, and bank lending had increased again after falling in the previous month.

The Bundesbank yesterday resumed its fine-tuning of money market interest rates with a reduction from 6.7 per cent to 6.67 per cent in its securities repurchase rate, a move which had been widely discounted.

But, the latest ministry report warns that structural adjustment by German companies is likely to mean that economic recovery will continue to be extremely hesitant.

It suggests that wage agreements reached so far in the current pay round clearly reflect the precarious position. It also points to a further deterioration in unemployment.

In east Germany, the monthly economic statistics continue to show big variations, reflecting in part the sporadic nature of orders for exports from former clients in eastern Europe and the former Soviet Union. Both imports and exports for Germany as a whole have shown a sharp decline over the past year.

In the first seven months of 1993, imports were down 17.2 per cent, and exports down 13.8 per cent.

Germany's visible trade balance for the period increased to DM25.3bn (£10.2bn), from DM14.6bn for the same period of 1992. Its deficit on the invisible account rose from DM10.7bn to DM21.9bn.

Kohl learns to say Nein to EC partners

A unified Germany wants more from Brussels in return for its role of paymaster, writes Lionel Barber

FOR more than five years, there was an unwritten rule in EC budget negotiations: sit tight, if necessary through the night, and wait for Chancellor Helmut Kohl to cough up the money.

These days, the EC can no longer count on Mr Kohl's *grand coeur*. Weighed down by the costs of unification, Germany is less willing to play the role of paymaster, less reticent about pushing its national interests, and more unpredictable in its behaviour within the Community.

Mr Jacques Delors, president of the European Commission, has sensed the mood swing. He has given a spate of interviews and speeches in Germany, warning Germans about the risks of becoming wrapped up in post-unification problems and ignoring the wider interests of her European neighbours. German-watchers in Brussels believe that German assertiveness within the EC is the inevitable consequence of its new size and power. "This will require adjustments for everybody," says one EC official, "including France."

Perhaps the most dramatic expression of the national interest was during the collapse of the European exchange rate mechanism last August. Bundesbank and finance ministry officials refused not only to succumb to French pressure to force the D-Mark out of the ERM; they also struck a deal with the Dutch to maintain the old 4.5 per cent fluctuation margin with the guilder. The rest of the ERM currencies reverted to 30 per cent fluctuation margins.

Such assertiveness should not be interpreted as a shift in Germany's European policy. Despite signs that German public opinion is more lukewarm about the EC than for many years, Mr Kohl has refused to compromise on his enthusiasm for the Maastricht treaty and the desirability of deeper European integration.

On the other hand, Brussels officials have identified several issues which reflect the Bonn government's recent willingness to say *Nein* to its EC partners.

- An insistence that German farmers be compensated for the revaluation of the D-Mark as a result of the suspension of the ERM. Bonn wants full operation of the so-called "switchover" mechanism, even though the future costs to the EC budget could be prohibitive.
- A refusal to abide by EC limits on the amount of land which can be sown with cereals in eastern Germany. Germany argues that Brussels miscalculated the "base area" in 1992 by failing to include 180,000 ha devoted to maize.
- An informal non-aggression pact with the US covering potential telecommunications sanctions. Brussels argues that the pact challenged the principle of a unified EC trade policy; German officials say the row has been quietly buried.
- German insistence that the Ekostahl steel plant in former East Germany should be considered eligible for some state subsidies. Brussels officials believe this stubbornness could wreck efforts to reach a deal to reconstruct Europe's ailing steel industry.

Associated Press

Chancellor Kohl with Foreign Minister Klaus Kinkel. Brussels has noticed Mr Kohl's mood swing

A senior German official argues that Ekostahl is a test case. The EC should show more flexibility, recognising that arrangements for reductions of steel capacity in Italy and Spain are unlikely to be water-tight. The closure of Ekostahl would invite an anti-EC backlash throughout the east, he says. The EC is already planning to double its aid to east Germany next year from the current annual figure of Ecu1bn (£770m). But some EC officials believe that more needs to be done. One senior official notes that East Germany failed to win the same generous "derogations" on agriculture which were accorded to Spain and Portugal during their entry negotiations. Yet as a former Communist country, East Germany's problems of transition were arguably more severe. "Remember the second language was Russian, not English," he says.

One of the most sensitive questions regarding post-unification Germany is its political weight within the EC. A recent paper by Mr Karl Lamers, foreign affairs spokesman of the ruling Christian Democrat Union, advocated strengthening the voting rights of the big powers in the EC.

Though the Lamers paper did not enjoy official status, it received support in some parts of the Bonn bureaucracy. The proposition that a country with 80m people should have greater voting strength in an enlarged Community has a certain logic, but it remains controversial for historical and political reasons.

The signs are that Bonn has modified its position on institutional reform, mainly because Mr Kohl has no desire to jeopardise the enlargement negotiations with Finland, Norway, Sweden and Austria. At the same time, countries such as France recognise that the pure application of demographics would inevitably break voting parity with Germany.

However, its seems that Brussels and the member states will have to adjust their policies to accommodate Germany. Hence the willingness of France and the UK to cave in quietly to Mr Kohl's campaign to bring the European Monetary Institute to Germany, most likely Frankfurt. "It is the price for Germany giving up the Deutschemark," says one French official.

- France is ready to support putting the European Monetary Institute, embryo of the European central bank, in Germany, according to Mr Alain Juppé, France's foreign minister, in an interview appearing in today's in the Rheinischer Merkur newspaper, writes David Buchan in Paris.

However, France is not prepared to endorse siting the EMI specifically in Frankfurt, as Chancellor Helmut Kohl insists should be decided at next week's EC summit. France fears that choosing Frankfurt might whip up concern in at home about German hegemony, but seems increasingly to accept that this may be the only way of stirring German enthusiasm for eventual monetary union. Lyons, France's official candidate, was yesterday still hopeful of emerging as a compromise choice for the European bank.

Editorial comment, Page 15

Air France strikers face force threat

By Alice Rawsthorn in Paris

STRIKING Air France workers were warned yesterday by Mr Bernard Bosson, the French transport minister, that the government would use force "if necessary" to clear them from the runways at the two main Paris airports.

Both Charles de Gaulle and Orly airports were yesterday thrown into chaos for the second successive day because of the strike by employees, who are protesting against proposals to cut 4,000 jobs and to reduce overtime pay at the loss-making national airline.

Mr Bosson said after leaving a parliamentary session that the situation was "intolerable" and that the government would act on its threat to clear the runways forcibly "if it remains impossible for the airlines to operate".

The strike also spread to airports elsewhere in France, with Nice and Marseilles being blocked for part of the day. Both Air France and Aéroports de Paris, which runs the Paris airports, said last night that they could give no indication as to the likely situation today.

Air France workers occupied the runways at Orly, the main airport for domestic flights, for most of yesterday morning. The blockade was broken up by police during the afternoon, but the strikers returned in early evening.

Squads of riot police moved into Charles de Gaulle airport during the early hours of the morning to stop strikers from occupying the runways and forming picket lines on access roads as they did on Tuesday.

Some international airlines, including Germany's Lufthansa, managed to get flights out of Charles de Gaulle. However, hundreds of other international flights and almost all Air France flights were cancelled. Several carriers took passengers by coach to Brussels or Frankfurt, but hundreds of people were left stranded at airport hotels.

Mr Bernard Attali, chairman of Air France, called on the unions to start negotiating on a local basis. Central discussions between Air France and the unions were suspended last weekend. Mr Attali also affirmed that, despite the strike, he was still determined to press ahead with his cost-cutting plan.

Industry output rises strongly

By John Ridding in Paris

FRENCH industrial production rose strongly in July and August, increasing by 1.3 per cent over June, according to figures from Insee, the national statistics institute. Manufacturing output rose by 0.7 per cent during the period.

Mr Edmond Alphandéry, economy minister, said the figures were encouraging and supported his forecasts of a stabilisation in economic activity in the current quarter and a return to growth in 1994.

Private sector economists and Insee, however, expressed caution. Insee described the statistics as "fragile", adding that data for the summer period were less reliable than for other months. Industrial output in July and August, lumped together because of the summer holidays, was still 2.9 per cent down on the same period last year.

"The numbers are higher than expected," said one Paris-based economist, who had forecast a rise of 0.3 per cent in July-August. "But there is a relatively important margin of error. They signal a stabilisation of the situation rather than a recovery from recession." Several economists believe France could suffer a "double-dip" recession, with a contraction in the fourth quarter after recovery in the third.

The government itself remains cautious about the performance of the economy. Mr Nicolas Sarkozy, budget minister, said this week that gross domestic product was likely to contract by 1 per cent this year, instead of the 0.8 per cent decline forecast last month at the launch of next year's budget. He maintained the government's forecast of 1.4 per cent growth in GDP next year.

French industrialists also expect recovery in 1994, but at a slower pace. A forecast by the CNPF employers' organisation, based on a large-scale survey of member companies estimates growth of 1 per cent in 1994. The industrialists in the survey said they expected recovery would be slow.

The CPNF said that a reduction in short-term interest rates to between 5 and 6 per cent, from their current level of about 7 per cent, was possible and necessary for economic recovery next year.

Swedish economy to shrink by 2.8%

By Christopher Brown-Humes in Stockholm

THE SWEDISH economy will shrink by 2.8 per cent this year, its worst performance since the second world war, according to the government.

Its latest forecast is much more pessimistic than the one it gave in April, when it predicted a fall of just 1.7 per cent. However, it believes 1993 will mark the low point, with GNP growth of 1.9 per cent expected in 1994 and 2.9 per cent in 1995.

Mrs Anne Wibble, the finance minister, said: "The road back to sustained growth, full employment and healthy financing is a long one, but more and more signs of recovery can now be discerned".

No growth in private consumption is expected in 1994, and public consumption is forecast to fall 1.3 per cent. Unemployment will rise to 8.4 per cent, excluding those on training schemes, before falling to 7.9 per cent in 1995.

To help tackle the unemployment crisis, the government yesterday announced plans to nearly halve employers' social security contributions for new staff. The measure will apply to all companies with more employees in 1994 than in September 1993, and is partly designed to combat explosive growth in overtime.

The government is relying on export-led recovery to get Sweden out of a three-year economic trough, and to cut the budget deficit and state borrowing totals which, in relative terms, are among the highest in the western world. It expects the public finance deficit to fall from SKr208bn ($26bn), or 14.5 per cent of GNP, in 1993 to SKr180bn, or 12 per cent of GNP, in 1995.

New measures to help achieve a targetted SKr81bn strengthening of the budget over five years include higher individual social security charges and reduced medical subsidies.

Czech budget deficit to total $640m

THE Czech Republic's budget for 1994 will show a deficit of Kcs18.3bn ($640m), Mr Tomas Jezek, head of the National Property Fund which oversees privatisations, said yesterday, writes Patrick Blum from Prague. The deficit, which would be caused by debts incurred under the communist regime, would be covered by privatisation revenues, the Czech news agency reported.

Georgians at Tbilisi airport unload an aircraft carrying US humanitarian aid

Reuter

Russia deploys troops to contain Georgia chaos

By Gillian Tett in Moscow and Steve LeVine in Tbilisi

RUSSIAN military leaders yesterday moved to deploy troops to defend rail and sea links in Georgia as rebel forces of the ousted leader, Mr Zviad Gamsakhurdia, continued their advance towards the country's second city, Kutaisi, which is being defended by army units loyal to President Eduard Shevardnadze.

A statement from the Russian foreign ministry in Moscow said troops were being assigned to guard a strategic railway which runs from Georgia's Black Sea port of Poti to neighbouring Azerbaijan and Armenia, in accordance with a request from Mr Shevardnadze.

As skirmishes continued yesterday on the outskirts of Kutaisi, which has been expecting a full-scale assault by the rebels for the past three days, the Georgian ambassador to Moscow issued another plea for Moscow's assistance.

"We need Russian help – we cannot defend these [transport links] ourselves," said Mr Valerian Advadze, echoing a last-ditch appeal by Mr Shevardnadze on Tuesday

A senior Russian official in Tbilisi yesterday said that 20 truck loads of Russian soldiers had been sent to defend the railway from their base in Batumi, western Georgia, and had now taken control of part of the line to Tbilisi. Mr Gamsakhurdia's control over the railway has given him a partial stranglehold over Tbilisi.

But a Russian presidential spokesman in Moscow emphasised that Russia's intervention was a peacekeeping action which did not constitute interference in Georgia's internal affairs. Moscow expected units would also be sent by Azerbaijan and Armenia.

If the city of Kutaisi falls, it would be a serious blow to Mr Shevardnadze's government, already severely weakened by the loss of the Abkhazia to Abhkaz separatist forces last month, and the loss of much of western Georgia to the Georgian rebels, who have been pushing in a two pronged attack across the region.

NEWS IN BRIEF

Yeltsin acts on company debt

PRESIDENT Boris Yeltsin has signed a decree to force Russian enterprises to settle debts incurred between themselves, it was announced yesterday, writes Leyla Boulton from Moscow.

The decree provides for the issue of promissory notes which would enable creditors to sell enterprises' debts to other companies if they remained unpaid. The holders of such debts could then try to recover them by starting bankruptcy proceedings against the indebted enterprise.

With inflation very high and enterprises prepared to deliver goods to each other without payment, many have found it both possible and profitable to drag out payment indefinitely.

Slovakia coalition formed

Slovakia's governing party, the Movement for a Democratic Slovakia, is to form a coalition with the opposition Slovak National Party, writes Patrick Blum from Prague. The new coalition will command an absolute majority in the 150-seat parliament. Its formation delays the threat of an early election and will also allow the passage of a budget for next year.

EC entry opposed in Norway

Norway's main opposition Centre party yesterday tabled a motion in parliament calling for withdrawal of the country's application for membership of the European Community, writes Karen Fossli from Oslo.

The proposal, made at the start of a two-day debate on the King's speech, initiated a stormy parliamentary session, with the Centre party promising to flex its muscles at every opportunity to demonstrate new-found political strength after overtaking the pro-EC Conservative party in the election.

Few political analysts believe the proposal will win majority backing of the Storting when it is put to a vote tonight. Recent opinion polls on EC membership show opposition running at an unprecedented 56-60 per cent against the move. The governing Labour party is split on the issue but says the electorate must be given the opportunity to vote on membership in a referendum, probably by 1996, if the country is to have a strong negotiating position with Brussels.

US pledge on Bosnia troops

The US yesterday made clear to its allies it was still ready to send "substantial" forces for a peacekeeping operation in Bosnia if a settlement was reached, writes David White, Defence Correspondent. Mr Les Aspin, US defence secretary, also told other Nato defence ministers meeting in Travemünde that Washington was looking at ways of helping the humanitarian aid effort in Bosnia in the absence of a peace agreement.

Ministers and Nato officials played down reports of a transatlantic rift following President Bill Clinton's weekend interview criticising the role of Britain and France.

Yeltsin's anti-corruption chief plans to step down

By Leyla Boulton in Moscow

THE head of President Boris Yeltsin's anti-corruption commission yesterday said he was quitting and warned Russia's leaders not to miss a rare chance to tackle corruption.

Mr Andrei Makarov, a prominent lawyer who plans to run for parliament, said he wanted to devote his time to politics. The recent appointment of Mr Andrei Kazannik as a new "honest and competent" prosecutor-general after the suppression of the parliamentary uprising had also removed the need for the extraordinary commission, he said.

But friends say the real reason for his departure is that he is pessimistic about the prospects for fighting corruption, and believes there are too many high-placed officials having a vested interest in seeing his commission disbanded.

The commission was set up this summer after Mr Alexander Rutskoi, then vice-president, accused several ministers and close presidential aides of corruption.

Mr Makarov rejected suggestions that his commission had settled political scores for Mr Yeltsin, saying that it had been created because the former prosecutor-general, Mr Valentin Stepankov, had been doing a one-sided job on behalf of Mr Yeltsin's enemies.

The commission's work resulted in the sacking of Mr Victor Barannikov, security minister, and of Mr Andrei Dunayev, first deputy interior minister. Mr Barannikov was not among those accused by the vice-president, whom he later joined in the occupation of parliament.

While clearing the names of Mr Vladimir Shumeiko and Mr Mikhail Poltoranin, two close presidential aides accused by Mr Rutskoi, the commission also accused the vice-president himself of being "associated" with a Swiss bank account.

Before he leaves his post, Mr Makarov will submit proposals for a strategy to fight corruption relying heavily on economic reforms.

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US aims to reduce hard-core drug use

By George Graham in Washington

THE Clinton administration yesterday unveiled a new drug control policy that it said would concentrate the government's efforts on reducing hard-core drug use, instead of curbing casual use.

Mr Lee Brown, director of the White House's office of national drug control policy, said hard-core users not only accounted for most of the consumption of such drugs as cocaine or heroine, but also caused most of the social disruption and violence linked to drugs. The policy would also aim, Mr Brown said, more at the treatment of drug use as a medical problem, and not just on law enforcement.

"We must be prepared to focus as never before on solutions to the problems of heavy drug use from both the criminal justice and public health perspectives," he told the Senate judiciary committee yesterday in presenting his new interim strategy.

Nevertheless, Mr Brown firmly rebuffed those who have called for the legalisation of some drugs as a better way of tackling the drug problem. "The administration is, without any reservation, opposed to the legalisation, decriminalisation or medicalisation of illegal drugs," he said.

The new policies have already come under fire from both sides of the debate. Senator Orrin Hatch, a Utah Republican, accused Mr Clinton of a "tragic abdication of leadership" and "slipping inexorably into the old permissiveness."

But Mr Kevin Zeese of the Drug Policy Foundation, an institute advocating drugs reform, complained that the administration might talk about increasing the emphasis on treatment, but was still devoting most money to law enforcement.

"This so-called strategy still gives law enforcement a two to one advantage in funding. That is not change," Mr Zeese said.

The US has spent $38.5bn on the "war on drugs" over the past four years but the drug use statistics suggest this money has done little either to control supplies of narcotics coming into the country or to curb demand among users.

The administration has found it hard to persuade Congress to shift money away from some older programmes and towards its new initiatives.

Mr Brown said the new programme would expand the US's capacity to treat drug addicts and compel convicted criminals to complete treatments, with spending concentrated on inner cities.

Efforts to deter first-time drug use would target inner-city youths, children and pregnant women and would include under-age alcohol abuse as part of the larger problem.

Europe seen as greatest obstacle to successful trade deal

Christopher cautions EC over Gatt

By Jurek Martin in Washington

MR Warren Christopher, the secretary of state, reminded western Europe yesterday that the US attaches as much importance to economic co-operation as it does to improving the security partnership.

In a speech prior to leaving on a trip to Hungary, Russia, the Baltics and three other former Soviet republics he identified the European Community rather than Japan and Asia as presenting the greatest obstacle to a successful conclusion of the Uruguay Round of trade negotiations by the December 15 deadline.

He acknowledged that none of the necessary trade-offs, especially in agriculture, would be easy but added: "To our friends in Europe, let me restate that preserving common security across the Atlantic requires us to focus not only on Nato" but on the trade round, where the global economic consequences of failure would be "very severe and dangerous".

Mr Christopher, under attack at home for his stewardship of US foreign policy in Somalia, Haiti and Bosnia, caused consternation in Europe at the weekend when he said Washington had for too long been too "Eurocentric" and that western Europe should realise it was no longer "the dominant area of the world".

While clearly nettled by recent European criticism, the secretary of state may also have been sending a call to the EC that he expected support from the continent to help sustain the US global role. At a dinner in Washington on Tuesday night, Mr Egon Klepsch, president of the European Parliament, agreed that Europe needed to demonstrate such support.

Mr Christopher also warned China that it might be difficult to justify extension of most-favoured-nation trading status next summer unless Beijing improved its human rights record, trade practices and co-operation on nuclear non-proliferation.

Pressure from the US Congress was such, he said, that it was vital China demonstrated such progress in the coming months rather than next spring, "so that there's not a huge build-up of pressure for us to lift the MFN".

However, attempts by Congress to impose more immediate controls over foreign policy appeared yesterday to be abating. The Senate easily defeated one Republican amendment that would have prohibited US troops from serving under the command of other nations in UN peacekeeping operations. It also appeared that Senator Bob Dole's proposed limits on any military intervention in Haiti was no longer a threat. The Republican leader, who has admitted that if he were president he would oppose his own amendment, was trying yesterday to modify his proposal.

Christopher: nettled by criticism

Scandal opens the way for Brazil reform

Angus Foster on the possible spin-off from corruption allegations

IT IS already being called "Collor 2". What began as wild allegations from a former government official have ignited Brazil's biggest corruption scandal since last year's resignation in disgrace of President Fernando Collor.

The scandal broke when the magazine Veja! published an interview with Mr José Carlos dos Santos, until last year a senior official in the government's budget department. Mr Santos claimed 29 politicians – including four senators, three state governors and five former and acting government ministers – were involved in the corruption scheme.

This allegedly channelled "fees" from construction companies to scheme members, many of whom sat on the congressional budget committee, in return for their approving building projects in the annual budget.

The allegations were seized on by Brazil's press, which has adopted a campaigning and moral tone since playing a leading role in Mr Collor's downfall. In Brasília the ensuing furore led to two days of confusion in the government and threatened to disrupt a review aimed at simplifying and modernising the constitution.

A special parliamentary inquiry, which started work yesterday, has 45 days to investigate the allegations. It can call any witnesses and gain access to private bank accounts.

"They will find some very nasty things. Probably about 10 of these names are under suspicion, of which two or three are big names," said one senator.

Mr Santos is an unusual witness. He is the main suspect in the investigation of his wife's murder and is under arrest for possession of forged US dollars and alleged drug offences. But, during his time in the budget department from 1970, he was widely respected for his knowledge of budget procedure.

Proving that the scheme existed may be difficult. "But he knows exactly where the bodies are buried," said one congressional aide.

Claims of corruption in Brazil's Congress may raise few eyebrows. But apart from isolated and often peripheral cases, only a few such allegations have surfaced in public. "Everyone knew this was going on, except no one dared say it," said Mr Francisco Gros, a Rio de Janeiro-based banker.

The problem of political corruption is deep-rooted in Brazil. Because the party system is weak, individual politicians, often with strong links to sectors such as the construction industry, are expected to spend, or promise spending, in order to win election.

The country's legal system is also seen as too ineffective and poorly staffed to pursue corrupt individuals through the courts.

Congress has yet to show it can tackle its own weaknesses and admit any of its members are corrupt. "The fire is getting very close," Mr Gros said.

The scandal has broken at a crucial time for Brazil, which started a constitutional review two weeks ago. Political leaders say the inquiry can run in parallel with the review, but several congressmen admit privately that the review is threatened. "With so many problems, I don't think Congress will have the necessary will to proceed," one said.

This raises a problem for the government, which hoped the review would allow important economic changes to Brazil's 1988 nationalist, utopian constitution, with its barriers to foreign investment in key sectors.

But it also presents an opportunity. According to government officials, one constitutional weakness is that Congress has too much power and the executive is often helpless to implement policy. With Congress weakened by the corruption allegations, and worried about further tarnishing to its public image, some analysts say the government can take the initiative.

Mr Fernando Henrique Cardoso, finance minister, is due to meet President Itamar Franco today and seek permission to make use of this opportunity. Mr Cardoso hopes to announce a new phase in the country's privatisation programme, already delayed by several weeks, and combine it with a package of fiscal measures.

He wants to try to eliminate this year's budget deficit of $6bn (£3.9bn) and balance next year's budget, which otherwise could be $25bn in deficit. A big budget deficit would prolong Brazil's inflation agony; annualised price increases now run at nearly 2,000 per cent.

Mr Cardoso is thought to be seeking a new upper tax bracket of 35 per cent, a widening of the tax on financial transactions and quicker collection of taxes on tobacco and alcohol.

This package is likely to raise only about $6bn in 1994 and business groups in Brazil, as well as the country's foreign creditors, will be looking for widespread spending cuts too. After listening to Mr Cardoso's promises of firm action since he took office in June, the groups are impatient for change.

Envoys call for broader Haitian government

US and United Nations envoys are pressing Mr Robert Malval, Haiti's pro-democracy prime minister, to include ministers loyal to the military in an expanded government, an aide to ousted President Jean-Bertrand Aristide said yesterday, Reuter reports from New York.

The aide said the US Ambassador to Haiti, Mr William Swing and UN special envoy Dante Caputo want Mr Malval to sign a communique saying he will "expand" his government if military leader Lt Gen Raoul Cedras and Port-au-Prince Police Chief Michel François step down.

Their resignations are called for in the peace accord signed by Gen Cedras and the democratically elected President Aristide on New York's Governors Island last July 3.

The refusal of the two men to resign has led to a showdown between Haiti's military rulers and the UN with an oil and arms embargo reimposed and US and other warships patrolling waters off the Caribbean country.

The Aristide aide said that Mr Malval has so far not agreed to sign the communique, presented to him Tuesday at a meeting with the two envoys. He has informed Mr Aristide of the plan, the aide said.

The aide said Aristide supporters were worried that such a "compromise" would in effect make the Governors Island accord largely meaningless because including military supporters in key positions would prevent Mr Aristide from ending the military's hold on the country.

It was not specifically known what ministries pro-military allies would be given if Mr Malval "expanded" his government.

But Mr Evans François, the police chief's brother who is an adviser to Gen Cedras, told the Los Angeles Times on Tuesday that the military wanted its allies in control of the ministries of defence, interior, social welfare and information in a government of national reconciliation.

"Malval is under intense pressure to sign the communique," the Aristide aide said.

The aide said the communique that Mr Malval has been asked to sign for the military to honour the Governors Island accord and for a law to be passed banning paramilitary groups from owning guns.

The aide said a key paragraph in the proposed communique would have Mr Malval say: "As far as I am concerned as head of government, if this general plan is implemented, I am prepared to further expand my government. I will be looking for individuals whose integrity and honesty is unquestioned."

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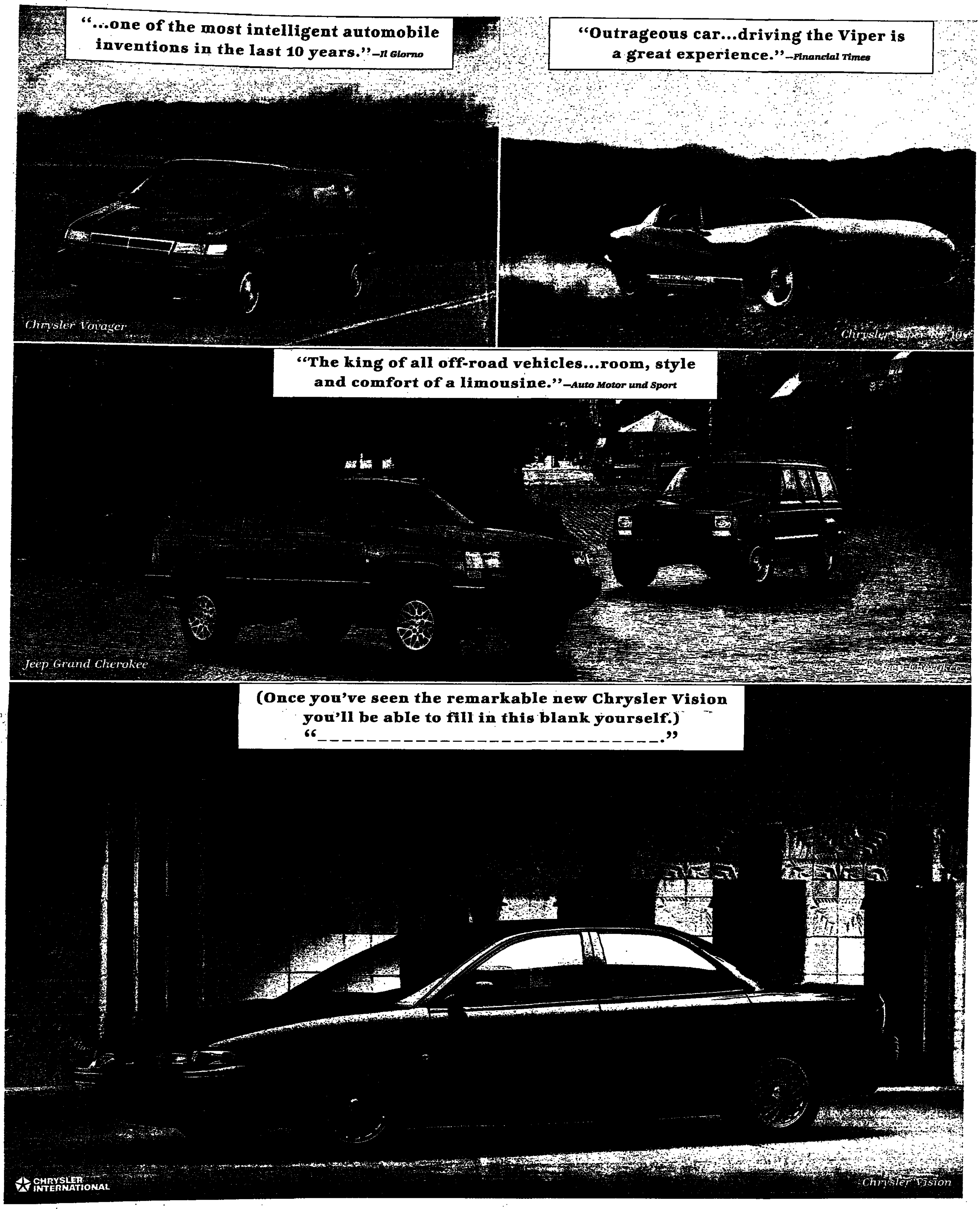

If you'd like some professional examples to guide you, they do exist. *Le Figaro* says that the Vision is "a 'tour de force' from Chrysler's designers." *Auto Bild* simply calls it "one of the best cars in the world."

Their enthusiasm is understandable. With its new cab forward design, the Vision combines the nimbleness of a sports sedan, the roominess of a touring car and the safety of driver and front passenger air bags. We think that the Vision is the perfect addition to Chrysler's family of distinctive vehicles. And clearly, we're not the only ones who think so.

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European court rules to prevent sales of bootleg recordings

Phil Collins wins court case

By Michael Skapinker, Leisure Industries Correspondent

PHIL Collins, the British rock performer, yesterday won the backing of the European Court of Justice in his attempt to prevent the sale in Germany of unauthorised recordings of his music.

The court in Luxembourg held that the non-discrimination provisions of the EC Treaty meant that Germany had to grant copyright protection to all Community citizens and not just to its own nationals.

The case arose from an unauthorised recording of a Phil Collins concert in California in 1983. The recording was made on a cassette tape recorder. It was used to make bootleg vinyl records, cassette tapes and compact discs which were sold through legitimate retail outlets in Germany.

Phil Collins asked a Munich court to allow him to take action against the recording company, Imtrat Handelsgesellschaft. German copyright law would have allowed a German performer to prevent the distribution of unauthorised recordings.

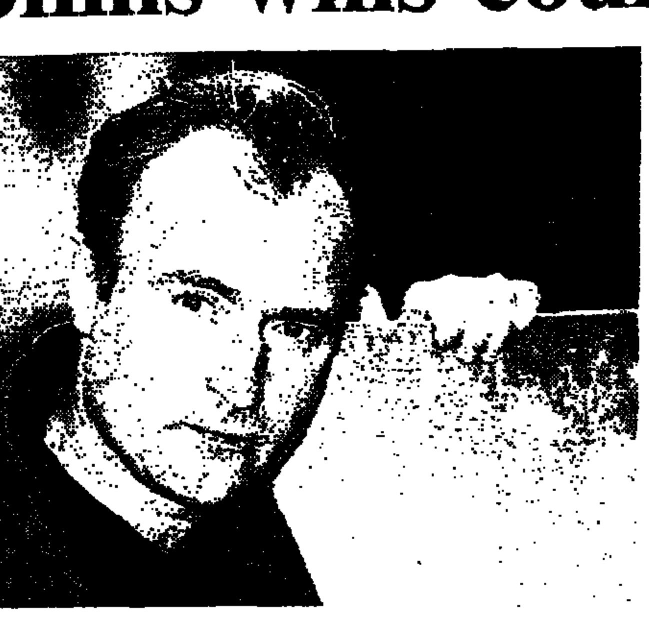
The Munich court referred the case to the European Court for an adjudication on whether EC law required the protection to be extended to other Community nationals as well. The Luxembourg court held that it did.

Warner Germany, Phil Collins's record company, said yesterday's ruling should result in revenues from pirate recordings in the country being halved from their current level of DM200m. The company said DM85m of unauthorised sales come from bootleg recordings made at live performances. The remainder of the pirate market consists of unauthorised copies of legitimate albums, as well as parallel imports.

Warner said it had decided not to put pressure on retailers to stop selling the recordings until the European court ruling was announced. It said the decision ended a period of uncertainty for German music outlets and it expected that they would comply with it.

The International Federation of the Phonographic Industry, which represents record companies worldwide, said the Collins decision was a "landmark ruling".

It added: "This effectively closes a gap in EC legal protection. This gives artists the right to say if and how their recordings are released."



Richard Open

Phil Collins: yesterday's decision is seen as a 'landmark ruling'

Minister champions BAe deal

By Daniel Green in Taipei

MR John Cahill, chairman of British Aerospace, will today meet representatives of Taiwan Aerospace Corporation (TAC) in an attempt to restart stalled talks on a joint venture to build regional jet aircraft.

Mr Richard Needham, the UK trade minister, who is in Taiwan as part of an east Asian tour will also discuss the venture with Mr Yang Shih-chien, the vice-minister of economic affairs and the politician most closely associated with the proposed deal. Mr Needham yesterday met Mr Hsu Li-Teh, the vice-premier, who repeated his government's backing of the deal.

Failure of the venture would be a blow to Mr Cahill's plans to improve BAe's performance. The company has not made a full-year pre-tax profit since 1990. In addition, about 3,000 jobs in the UK would be put at risk.

Taiwan wants the joint venture as part of an industrial policy to bring the island's industries into the civil aviation sector.

The previous round of talks broke up last month with both sides disagreeing on the long-term strategy of the venture, called Avro.

Both TAC and the government's representatives this week repeated that progress depended on a commitment that Avro would develop a new generation of regional jets, called the RJ-X.

BAe says more research is needed to discover whether this $1.5bn (£1bn) programme can be justified.

India's trade regime too complex, says Gatt report

By Frances Williams in Geneva

INDIA's bold economic reform programme which started in 1991 has already begun to pay off in improved competitiveness at home and abroad, but its trade regime remains complex, distorted and difficult for traders to fathom, the General Agreement on Tariffs and Trade says in a report published yesterday

The Indian government is urged to pursue lower and more uniform tariffs, scrap import licensing and tackle the "still significant" anti-export bias of trade policy.

The report says the 1991 reforms, in the wake of an economic crisis, reflect "a paradigm shift away from economic intervention towards greater reliance on the interplay of market forces" and mark a sharp departure from India's previous almost closed trade regime.

Maximum tariffs have been sliced from 355 per cent to 85 per cent in 1993 and will be lowered to 50 per cent by 1997. However, the maximum tariff continues to apply to about a quarter of tariff lines, with the result that the average tariff has fallen less dramatically to 71 per cent from 125 per cent in 1990-91.

Gatt says tariffs have become more dispersed and their structure remains complicated and non-transparent. India has "bound" (agreed not to raise) fewer than 1 per cent of its tariffs under Gatt.

India's system of discretionary import licensing, which still affects over one-third of tariff lines and almost all consumer goods, also comes in for criticism from Gatt.

● The European Community has failed to include any reductions in its high duties on fish imports in its latest market access offer circulated this week to trading partners in the Uruguay Round of trade liberalisation talks.

The omission, which on some estimates covers over half the EC's peak tariffs (duties over 15 per cent), sits oddly with the EC's insistence that the leading traders should slash most peak tariffs by half.

Embarrassed EC negotiators, said yesterday that Brussels was prepared to negotiate lower tariffs against satisfactory access arrangements to foreign fishing grounds where these did not already exist.

Cairns group warns France

By David Buchan in Paris

FRANCE will carry the blame if Gatt negotiations founder on its attempt to revise Europe's farm trade agreement with the US, according to Senator Peter Cook, Australia's trade minister and leader of the Cairns group of 14 food-exporting countries.

Mr Cook, together with Thai and Argentine ministers, had a meeting yesterday with Mr Gérard Longuet, France's trade and industry minister, in an attempt to put the Cairns group's views directly to Paris.

He declined to comment on the possibility of Cairns countries boycotting French produce if Paris was seen to have wrecked the Uruguay Round.

But the minister warned that "any further dilution" of the EC-US farm trade accord – the so-called Blair House deal – "would be unacceptable" to the group. He said many in the group had "only reluctantly" acquiesced in the Dunkel draft, which called for a 24 per cent cut in the volume of subsidised farm exports over six years, while Blair House had already watered this reduction down to 21 per cent.

The Cairns group would only decide to accept Blair House as the basis for a Gatt settlement when it had seen what offers the leading Gatt participants had made to open their markets.

Dr Supachai Panitchpakdi, Thailand's deputy prime minister, stressed that developing countries needed compensation in extra earnings from agriculture if they were to open up their service sectors.

Mr Felipe Sola, Argentina's agriculture minister, deplored the way the EC had over the past 20 years cut back on its food imports, while countries like Argentina had increased their purchases of EC farm products.

US renews calls for Japan to open car market

By Michiyo Nakamoto in Tokyo

JAPAN came under renewed pressure from the US yesterday to expand access for foreign-made cars and car parts by setting targets that would serve as a measure of progress in opening its markets.

In the first of a series of negotiations on the vehicle trade, the US presented Japan with specific proposals. US and Japanese officials declined to specify what these were, but there were suggestions the US proposals on measurable targets would not be acceptable to the Japanese.

A senior Japanese official said the US plans "go beyond the scope and ability of the government" and called for "excessive intervention by the government in private business". The Japanese government believed quantitative targets ran counter to the principle of a free market and could not promise that the targets would be met, the official said.

"In the end it is the consumer that makes the choice," he said.

Japan proposed that objective criteria to assess progress in market access could include marketing efforts by foreign parts suppliers, attempts made to build up after-service networks and the overall competitiveness of the industry. Foreign carmakers' product development efforts to meet Japanese consumers' preferences and attempts to build up dealerships and sales could also be assessed.

The calls on Japan to set quantifiable targets were not restricted to US government officials. They were supported by representatives of the big three US carmakers in Japan for the Tokyo motor show.

Mr Robert Lutz, president and chief operating officer of Chrysler, described the Japanese market as having "vestiges of a fortress mentality," and emphasised his support for "firm targets to reduce the chronic bilateral trade imbalance between the US and Japan, and to open up the Japanese market once and for all".

Mr Lutz pointed to restrictive regulations, a distribution system that required the use of expensive middlemen, and high real estate prices as key factors which had kept the Japanese market closed to foreign carmakers.

"We should not be presented with an obscene financial hurdle just to be able to sell cars here," Mr Lutz said.

Despite years of talking, the situation had not improved significantly for foreign carmakers, which had only 2.2 per cent of the market, he noted.

Without improving the imbalance in cars and car parts, which accounted for more than two-thirds of the US trade deficit with Japan, "serious trade frictions between the US and Japan are all but inevitable."

Anglo-US group in German coal deal

By Judy Dempsey in Berlin

THE Treuhand privatisation agency has secured one of the largest investments in eastern Germany after an Anglo-American energy consortium accepted the agency's final offer for the country's second largest brown coal field.

The commercial agreement, which entails an investment of DM670m (£272.3m) for Mitteldeutsche Braunkohle, or Mibrag, was signed between the Treuhand and Britain's PowerGen, NRG of Minneapolis and Morrison-Knudsen of Idaho earlier this week. The consortium is now poised to break into eastern Germany's highly regulated energy industry after 18 months of negotiations.

"There are no hiccups left. We can now wrap up the contract," said a consortium negotiator. "We have finally closed the commercial side of the agreement for Mibrag," said an official from Morrison-Knudsen.

The consortium, which expects to start mining operations in the Mibrag lignite fields in January, reached agreement despite last minute concerns from PowerGen about whether energy consumption levels in eastern Germany would be sufficient to consume Mibrag's annual 15m-17m tonnes. At one stage, there were fears that PowerGen would pull out of the deal completely even though its two US partners, particularly NRG, were keen to conclude the negotiations.

Last week, the Anglo-Americans acquired a 40 per cent stake in a power generating plant at Schkopau, in Saxony-Anhalt which will be fuelled by Mibrag.

The DM670m investments, which will be spread over several years, will be targeted on one section of the giant Mibrag mining complex which the consortium will own. A Treuhand officials said that under the terms of the contract, the Anglo-Americans will initially guarantee 4,210 jobs. That figure will be reduced to 2,700 by 1995 and will then stabilise at 2,300 employees the following year.

"We are not only pleased about the level of investments, and the structure of employment," said the official. "But we are also getting a terrific amount of management expertise in an industry which can, and will be, much more competitive," he added.

He conceded however that the kind of contracts agreed for Mibrag has set a crucial precedent for the privatisation of Laubag, eastern Germany's other brown coal fields in the state of Brandenburg. A consortium, led by Rheinbraun, the brown coal subsidiary of RWE, Germany's largest utility company, is negotiating to buy it from the Treuhand.

India records sharp increase in exports

By Stefan Wagstyl in New Delhi

INDIA'S exports rose 24.3 per cent to $8.7bn in the five months to August, raising hopes the country's wide-ranging economic liberalisation is starting to produce results.

The sharp rise in the first five months of the 1993-94 financial year contrasts with a sluggish 3.6 per cent rise in 1992-93, according to the government's monthly economic report published yesterday.

The strong export performance is helping to push India's foreign exchange reserves to record levels: at the end of September they stood at $7.6bn compared with just over $1bn in mid-1991 when the government of Mr P V Narasimha Rao, the prime minister, launched its restructuring programme amid a balance of payments crisis.

The reserves are so high that India, which was bailed out in 1991 with loans from the International Monetary Fund, has for the moment delayed entering into a new medium-term IMF borrowing programme.

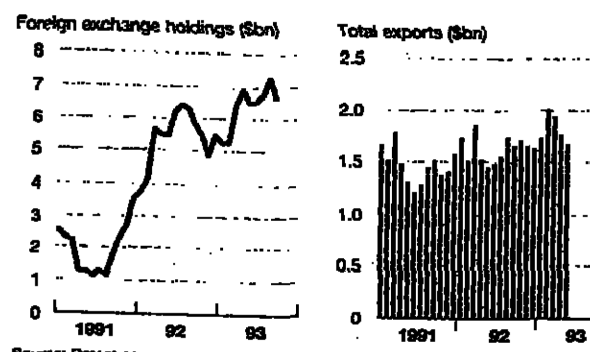
Weak imports are contributing to the reserve position. Imports in the first five months of 1993-94 fell 3.7 per cent to $8.9bn, leaving a trade deficit of just $255m, against $2.3bn for the same period last year.

The decline in imports reflects continuing weak demand in heavy industry, hit by a fall in sales to state-owned enterprises, which are suffering because subsidies are being cut under the reform programme. Meanwhile, with industrialists uncertain about the long-term effects of liberalisation, private sector demand is showing little sign of recovering. Industrial production in the first three months of the financial year rose 0.2 per cent.

Economists puzzled by the apparent failure of export growth to generate more overall industrial growth believe the reason may be that the industrial production statistics exaggerate the importance of large companies in heavy industry; much of the export growth has come from small companies in industries such as garment-making, jewellery and engineering components.

- Indian forces fired tear gas and swung truncheons yesterday to disperse Moslem demonstrators supporting insurgents besieged inside Kashmir's holiest Islamic shrine, AP reports from Srinagar.

India



Source: Datastream

Query over Pakistan's quiet revolution

Architect of reform hopes Bhutto will safeguard his work, **Farhan Bokhari** writes

BEARDED men in traditional clothes and armed with sophisticated assault rifles stood guard outside the parliament building in Islamabad this week, to protect their powerful tribal leader who was about to take oath as a member.

The guards were a stark reminder of the influence of tribal and feudal values in Pakistani politics and the economy, but never before have those values come under such intense pressure as in the past three months.

Because of an aggressive campaign of unpopular economic reforms which have tried to clamp down on powerful interests, many Pakistanis are hoping a turnaround will occur in their country's economic fate.

The architect of the reform programme has been Mr Moeen Qureshi, the former prime minister, who stepped down on Tuesday after handing over power to Ms Benazir Bhutto. For many Pakistanis looking at the future of their country, the key test for the new government is the extent to which the reforms will survive.

By any standard, Mr Qureshi's programme has been as unusual as his own background. His three decades of work experience with the International Monetary Fund and the World Bank kept him away from his country as well as its influences. When he was appointed Prime Minister in July he brought a fresh insight to many of the chronic problems which previous governments failed to resolve because of reluctance to confront powerful interests.

> For the first time in Pakistan's history, the new government is left with virtually no patronage that could be used to attract new political allies or to tame critics

During his brief tenure, Mr Qureshi moved fast to introduce unpopular measures such as taxing previously immune and politically powerful rich landowners.

He also began a large-scale campaign to recover outstanding bank loans and unpaid utility bills, changed the tax collection network to increase government revenues and eliminated special government quotas which allowed elected politicians to allot valuable government land at throwaway prices.

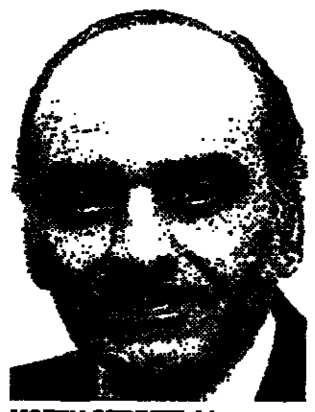
He also finalised a three-year tariff reform programme which aims to eliminate at least some of the smuggling activities, estimated to be worth at least Rupees 100bn (£2.1bn)a year.

As a result, for the first time in Pakistan's history, the new government is left with virtually no patronage that could be used to attract new political allies or tame critics.

"The most important reforms aim at good governance. I feel that this country has been run previously by governments that have had almost feudal characteristics. It's not the fault of any particular government, it's the system that has evolved in that way, and public resources, public assets, have been used a means of political patronage," Mr Qureshi said in an interview.

If "we've got to build a healthy democratic system, then the people must expect that their rulers are in fact their servants rather than their authoritarian rulers," he added.

Mr Qureshi remains hopeful that his programme will remain on course, largely because both Ms Bhutto and Mr Nawaz Sharif – the two front-runners in the electoral race – had assured him they agreed with the broad thrust of the plans.



MOEEN QURESHI: his programme has been as unusual as his background

In addition, continuing with the reform programme would allow future governments to benefit from larger revenues while laying the responsibility for unpopular measures on Mr Qureshi's shoulders.

The reforms have also been acclaimed by the IMF and the World Bank. One sign of that acknowledgment has been the recent approval of a $277m (£183.4m) standby IMF loan.

Mr Qureshi is confident the new government can also get up to $1.2bn in extra IMF funding over the next three years if a commitment is made to keep the reforms on track.

Ms Bhutto's government has yet to come out clearly on its future economic policies . Some officials are concerned over her statements on the campaign trail that she would review the new agriculture taxes.

But it is not yet clear if such a policy reversal, which may well have been part of the electoral rhetoric, could be made in face of criticism from Pakistan's multilateral and bilateral aid donors.

Mr Qureshi hopes public opinion will play an important role in protecting his initiatives.

"I don't think that some of our fundamental reforms, particularly in so far as good governance is concerned, can fall apart, because they are really based on awakening the conscience of the people," Mr Qureshi declares.

"I believe that the Pakistani public is much more conscious and much more sensitive now about the misuse of power and authority in government and about its use for political purposes."

World Bank set to publicise Nigeria finances

By Paul Adams in Abuja, Nigeria

THE WORLD BANK is to make public for the first time a detailed analysis of Nigeria's government finances after the two-week visit of experts which began on Tuesday.

But talks on the medium-term economic programme leading to possible debt relief remain suspended until the government brings oil revenues and public spending under control.

The team will present to Nigeria's interim government a post-mortem on the eight-year structural adjustment programme (SAP) and a proposed strategy to offset the fluctuating value of oil exports, which account for more than 80 per cent of its foreign exchange.

New rules at the bank will allow publication of these reports by December. A 1991 report by the World Bank's Nigeria office exposed the lack of accountability in government finances but was not published.

The SAP stalled half-way to a liberalisation of trade and industry but failed to boost non-oil exports, while the standard of living and the value of the naira plunged and inflation reached 70 per cent due to diversion of government oil revenue.

The 1993 budget sought to cut Nigeria's debt service, which is equivalent to 30 per cent of earnings, and to produce a budget deficit of aroumd $1.4bn.

However, the drop in the oil price has worsened the balance of payments and the budget deficit was estimated at $1.5bn by the end of June.

Arrears on payments to the Paris Club of creditors have risen to about $4bn and negotiations in April with the International Monetary Fund over a medium-term programme ended in failure.

Mr Ernest Shonekan, the head of the new interim government, has pledged a new era of accountable government and a purge on corruption.

However, since he took office there has been no more disclosure of public finances than under the former president, General Ibrahim Babangida, who retired at the end of August.

Nigeria is no nearer to a deal with the official creditors than in January, when Mr Shonekan led the military regime's bid to reschedule its $27bn external debt.

China stresses 'strong desire' for HK accord

By Simon Holberton and Alexander Nicoll in Beijing

CHINA yesterday stated its strong desire to reach an agreement with Britain on Hong Kong, as negotiators met in Beijing for the 14th round of talks on the colony's political development.

Mr Lu Ping, director of Chinese government's Hong Kong and Macao Affairs Office, said in an interview with the Financial Times: "We very much want to have an agreement; it's good for Hong Kong as well as China and Britain."

Lu Ping: "We want an accord – it's good for Hong Kong as well as China and Britain"

China recognised that both sides would need to make concessions to reach an agreement. "In diplomatic talks there should always be mutual compromise," he added.

British and Hong Kong officials would not comment on the latest round of negotiations which are due to end today. But they have seen little evidence of a change in the Chinese position indicating a desire to reach swift agreement.

Mr Lu said wide differences remained on both main areas of dispute: the so-called "functional constituencies" which make up a part of Hong Kong's 60-strong Legislative Council, and an "election committee" that will elect 10 members in 1995.

He attributed the lack of progress to a fundamental difference of approach. Britain wished to secure agreement on the "through train," a guarantee China would not dismantle pre-1997 political arrangements after its takeover in that year, before agreeing to the details of the 1995 polls.

China, on the other hand, wanted to settle the details of the election arrangements in 1994 and 1995 before agreeing to the "through train."

"The reason we agreed to hold talks is precisely because we want to have a 'through train'," Mr Lu said. "We are fully for it but our desire is that we must first talk about the train itself. If we do not agree on that; the train cannot go through."

Mr Lu said China planned no changes in Hong Kong's basic liberties, such as freedom of the press, the rule of law and freedom of religious belief.

Government loses Japan history case

By William Dawkins in Tokyo

THE JAPANESE education ministry went too far in exercising a controversial legal right to censor school history textbooks, the Tokyo high court ruled yesterday.

The court awarded Y300,000 (£1,866) compensation to a professor at the former Tokyo University of Education, Mr Saburo Ienaga, who had challenged government changes to parts of a history text he wrote 31 years ago.

His book, a New Japanese History, had offended the education ministry with its blunt accounts of Japan's aggression in Asia. A series of legal battles over the years by Mr Ienaga, 80, have become a symbol of Japan's uncomfortable internal debate over its responsibilities in the second world war.

His campaign has been given wider relevance by the recent apologies by Mr Morihiro Hosokawa, the new prime minister, for Japan's war-time record. Mr Hosokawa's apologies have drawn bitter criticism from the nationalist wing of the opposition Liberal Democratic Party.

Mr Masatoshi Kawakami, the presiding high court judge, yesterday upheld the ministry's right to censor history textbooks, but said it had acted unreasonably in demanding that Mr Ienaga rewrite three out of eight passages cited in the case. An account of the 1937 Nanking massacre was among the passages that should not have been censored, he said. Mr Kawakami upheld the education ministry's right to change five other passages, on the grounds that it was "not recommendable" for a textbook to contain negative judgments about Japan "when such negative judgments are not established".

Japan's supreme court apparently put an end to Mr Ienaga's campaign only last March, when it ruled that the education ministry had the right to ask for changes or disqualify textbooks from school lists on "reasonable grounds".

Yesterday's ruling showed "some progress", said Mr Ienaga. However, he said he would take the case, his third, on to the supreme court, Japan's top legal authority.

Nomura investor sues executives

By Emiko Terazono in Tokyo

A SHAREHOLDER of Nomura Securities yesterday filed a suit against its executives for losses incurred in allegedly improper sales of its investment products. Corporate executives are facing a rush of lawsuits after changes to the Commercial Code eased costs for shareholder litigants.

Earlier, shareholders of Hazama construction company filed an action against its executives for Y99m (£620,000). Executives at Janome, a sewing machine maker, are also being sued.

Mr Nobuo Kameda is demanding that 58 Nomura directors, including former executives, pay Y23.5bn in damages to the brokerage house. He claims they are responsible for the brokerage's compensation to investors of losses from US mortgage backed securities.

Nomura posted Y22.5bn in special losses due to compensation payments made to investors claiming risks in buying the products were not properly explained by Nomura sales staff. It is uncertain how far courts will back shareholders.

Israelis, Palestinians split on economic policy

By Julian Ozanne in Jerusalem

Israel and Palestinian negotiators resumed detailed talks on implementing a framework peace accord yesterday focusing on Israel's security demands and Palestinian calls for release of up to 12,000 political prisoners, Julian Ozanne writes.

At the same time, Mr Dennis Ross, US co-ordinator for Middle East peace talks arrived in Jerusalem from Jordan for talks with Mr Yitzhak Rabin, Israel's prime minister and Mr Shimon Peres, Israeli foreign minister.

Mr Ross is touring the region to help consolidate the accord, to prepare for an early November visit by Mr Warren Christopher, US secretary of state, and to try to broker progress on stalled talks between Israel and Syria. Before leaving Amman he said the US could support secret talks between Jerusalem and Damascus to break the deadlock.

Mr Rabin, however, said yesterday Syria had yet to offer a version of peace which he could trust and Syrian newspapers said Mr Ross' visit to Damascus today was unlikely to provide a breakthrough.

DEEP divisions are emerging between Palestinians and Israelis over economic policy, the lifting of the Arab economic boycott of Israel and the trade regime which will exist between the two sides.

At the heart of the disagreement is an Israeli demand that the Palestinians harmonise their tax and customs regime with the high levels in force in Israel, which reflect Israel's protection policies and the government's need to raise substantial revenues to meet its public expenditure.

Israel is hoping for the creation of a customs union which would develop into an economic confederation between Israel, Jordan and the Palestinian entity. The Palestinians firmly reject the idea of a customs union.

They also believe it is too early to call for the suspension of the Arab boycott against Israel, which Jerusalem feels it should have in return for taking a big step towards peace, and say a more comprehensive regional agreement and details of the Palestinian interim period of self-government must be finalised first.

The divisions were highlighted yesterday at a joint press conference by Mr Samir Abdallah, director of the Palestinian delegation to the multilateral talks on economic matters, and Mr Dan Proper, President of the Israeli Manufacturers' Association.

The Palestinians feel that a customs union would drag them into protectionism and excessive taxation, making goods too expensive for Palestinians who have a per capita income less than 20 per cent of Israel's.

Mr Abdallah said the Palestinians wanted the terms of trade between the occupied territories and Israel to be changed to free and open movement of goods and people, and more competition. The Palestinians opposed a customs union because of the different structure and priorities of the two economies, and wanted to develop freely their external trade relations. Israel, he added, would have to work hard to reduce its costs of production.

The Israelis have warned that unless there is a customs union Israel would have to consider border controls to stop the movement and smuggling of cheap goods from the Palestinian economy into Israel. "If you create different levels of customs and taxes you will be creating borders and controls where the difference will have to be paid and where Israel would have to stop the free flow of goods," Mr Proper said.

One area affected by the dispute is agriculture. Mr Proper said a three-year sliding scale of quantitative curbs on exports of Palestinian agricultural produce into Israel would have to be brought in, especially in eggs and poultry, livestock and some vegetables, to protect Israeli producers.

The European Community could help to provide open markets for Palestinian agricultural products during the three-year period while protection was phased out.

Mr Abdallah warned that Israeli curbs on Palestinian agricultural exports would provoke reciprocal protection arrangements on industrial products.

The Palestinians had decided to introduce the Jordanian dinar as legal tender in the Palestinian entity to insulate it against the depreciation of the Israeli shekel and against Israeli inflation, currently 10 per cent.

They wanted to pursue a "liberal" monetary account, similar to the Ecu, as a way of issuing bonds to mobilise Palestinian financial resources, but believed it was too early to re-introduce the Palestinian currency as a means of exchange.

Mr Proper said that once economic issues were solved, a Middle East trading bloc of 200m people lay ahead.

Philippines sell-off continues

By Jose Galang in Manila

THE Philippines government is determined to pursue privatisation plans for Petron Corporation, the state-owned market leader in the petroleum refining and marketing business, despite opposition from a number of Congress members.

Philippine National Oil Company (PNOC), the state-owned energy group, has issued invitations for tenders for 40 per cent of Petron, which is among the most attractive assets the government has lined up for privatisation.

British Petroleum, Aramco of Saudi Arabia and Petronas have all shown an interest.

Plans for privatisation date back to 1986 but little progress has been made on most of the main items, although last year the auction of 67 per cent of Philippine Airlines was successful.

Mr Romeo Bernardo, finance under-secretary, said this week that the deadline for Petron bids has been set for December 15. The hurdle price for the bidders will be determined and announced only on the day the bids are to be opened.

PNOC is looking for a "strategic partner" which, officials say, must be capable of putting in "added value" in Petron in the form of technical expertise and access to petroleum supply.

Petron controls 40 per cent of the Philippine market for petroleum products, with sales reaching Pesos 40.7bn (£974m) last year, which made it the country's biggest corporation in terms of sales.

But Petron's profits last year of nearly Pesos 1.47bn and total assets of some Pesos 15bn has led to strong criticism by some members of Congress who feel the government must maintain its control of such a strategic industry.

PNOC has explained it would maintain holdings at 40 per cent, after a planned 20 per cent public offering in early 1994.

This, PNOC officials said, should be enough to provide government with an influencing presence in the industry.

Investors who qualify for the bidding will be required to submit technical and financial proposals. They are also expected to commit themselves to a long-term arrangement with the Philippine government on Petron.

Petron is one of several assets the government wants to privatise within the next six months, an exercise expected to generate some Pesos 18bn. The others include: Manila Hotel, National Steel and Philippine Shipyard and Engineering Corporation (Philseco).

Plans are to sell off 30 per cent of Manila Hotel and 65 per cent of National Steel.

UN claims Mozambique poll accord

UNITED NATIONS secretary general Boutros Boutros Ghali said yesterday he had achieved a breakthrough in revitalising the flagging peace process in Mozambique, Reuter reports from Maputo.

Mr Boutros Ghali said at the end of a four-day visit that an accord had been reached on the composition of a commission to supervise elections in October next year.

The commission would have 10 members from the government, seven from Renamo and three from other opposition parties. An independent chairman would be chosen by the 20 commission members.

A draft electoral law will be approved by the cabinet before the end of this month and by parliament before the end of November, Mr Boutros Ghali said.

He said disputes delaying demobilisation of the army, Renamo guerrillas and para-military forces had also been resolved.

"A new calendar on the date of demobilisation will be approved before the end of this week," he said.

Mr Boutros Ghali said a compromise had also been reached on the composition of three of the joint commissions dealing with aspects of the peace process.

The commission to oversee liaison between the government and Renamo-controlled areas will be chaired jointly by the government and Renamo, in rotation.

Commonwealth talks to stress human rights

By Michael Holman in Limassol

COMMONWEALTH leaders today open what is widely regarded as one of the most critical conferences in its modern history, if the association's survival is to be assured.

The need for a renewed commitment to human rights and good governance will be stressed by Chief Emeka Anyaoku in an address designed to give the 50-member organisation greater purpose and credibility.

The official agenda for the five-day session, attended by 36 heads of government, covers global political and economic issues, including the Gatt talks.

South Africa will continue to feature, with the Commonwealth planning a substantial programme of assistance ahead of next April's scheduled multi-party elections and to help monitor the poll itself.

Mr Thabo Mbeki, a senior member of the African National Congress executive, is expected to attend as an accredited observer.

The delegates were also told last night that Ms Benazir Bhutto, Pakistan's newly-elected prime minister, plans to attend the talks.

The opening has been overshadowed by the angry reaction of some Greek Cypriots to Queen Elizabeth and what is seen as partisan British diplomatic involvement in the dispute over the Turkish Cypriot-controlled north of the island.

President Glafcos Clerides of Cyprus yesterday played down the protests. Mr Douglas Hurd, UK foreign secretary, held talks with Mr Clerides and Mr Rauf Denktash, the Turkish-Cypriot leader.

British officials declined to elaborate on what they said were private talks, only saying they had been useful. But Greek-Cypriot sensitivity was illustrated when a press spokesman for the government stressed that the meeting had been at Mr Hurd's initiative.

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

The theme for the 1994 prize, worth not less than £3,000, is: CAN THE DEVELOPING WORLD BECOME RICHER WITHOUT THE DEVELOPED WORLD BECOMING UNEMPLOYED?

Applicants, aged over 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further. Please argue your case from the viewpoint of a particular country or industry.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

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Britain in brief

New blow to rail sell-off legislation

The UK government's troubled railways bill to privatise the network was dealt a fresh blow when the House of Lords, the upper chamber of parliament, backed a rebel Tory amendment by a 29 majority.

Voting was 152 to 123 for a change proposed by Conservative former transport minister Lord Peyton tightening protection for rail pensioners.

This would force the transport secretary to get the written agreement of the pension trustees before significant changes were made to the fund. Ministers will now have to decide whether to seek to reverse the move when the measure returns to the lower chamber shortly.

Hull opens big fish market

Associated British Ports will today officially inaugurate England's largest fresh fish auction market in Hull after a £300,000 investment programme to bring it up to new, stringent EC standards. The government has funded about 20 per cent. The market – a 60,000 sq ft group of covered sheds – already has a throughput of 50,000 tonnes of fish a year and its rise has been phenomenal in the fish and ports industry. Five years ago Hull handled only 8,000 tonnes of fish a year.

New Ulster plan floated

The UK's Institute for Public Policy Research, the left of centre think-tank has recommended that Britain and Ireland should share sovereignty over Northern Ireland as a means of resolving the conflict there.

In a new report published yesterday called "Northern Ireland: Sharing Authority", the Institute also recommends the drafting of a new constitution for the province and that the Royal Ulster Constabulary (RUC) should be replaced by a new security force.

The report asserts "Northern Ireland cannot be legitimate, stable and democratic if it is solely British or solely Irish".

Footballer auctions medals

Football honours won by former England player Ray Kennedy were today sold at auction for £88,000. After commission, the 42-year-old ex-Liverpool and Arsenal star, who suffers from Parkinson's Disease, will receive more than £73,000.

The highest price of £17,000 was paid for a plaque and gold medal awarded in 1971 when Arsenal won the first division championship and FA Cup. His 1977 European Cup Winners Medal went for £16,000.

Acas may levy charges

Acas, the independent advisory conciliation and arbitration service, announced it intends to impose charges on its clients from April 1 next year for conferences, seminars, self help "clinics" to help small businesses and some of its advisory publications.

But in a statement it added there were "no plans to charge for any other Acas activity as to do so would compromise Acas's impartial and independent approach". An Acas spokesman added that the charges were to cover costs and not to make a profit.

Chancellor faces tax plea from top retailers

UK COMPANY DIRECTORS and top retailers yesterday warned Mr Kenneth Clarke, the chancellor of the exchequer, that significant tax rises in next month's Budget could jeopardise the fragile consumer recovery, write Peter Norman, Peter Marsh and Philip Stephens.

The chancellor was given the message in separate, private meetings with 20 retail chiefs and Mr Peter Morgan, director general of the Institute of Directors after news of a bigger than expected rise in retail sales volumes last month.

Mr Clarke was told that confidence in industry was low and that many consumers were still wary of stepping up their personal spending.

Bigger than expected rise in retail sales but other signals point to faltering recovery

The 0.5 per cent increase in retail sales in September compared with August was higher than expected in the City of London.

It was hailed by the Treasury as "being consistent with recovery". It pushed up prices on the London stock exchange to another record closing high, with the FT-SE 100 index of leading shares closing up 26.7 at 3,156.3.

However, in their discussions with Mr Clarke the retail executives urged the chancellor to treat the latest economic statistics with caution.

In a lunch in a London hotel organised by the British Retail Consortium, representatives from stores including J. Sainsbury, Tesco, Kingfisher, Burton and Storehouse told Mr Clarke a further increase in VAT in the November 30 Budget could lead to a dangerous fall in consumer confidence.

They said that much of the recent increase in sales volumes had been won only at the expense of much reduced profit margins.

Mr Morgan told the chancellor of the exchequer he understood the Treasury's interest in a fiscal tightening to bring down the £50bn borrowing requirement.

However, a tax rise in the November 30 Budget, coming on top of the fiscal tightening of nearly £7bn already pencilled in for next April, would threaten faltering signs of recovery.

Mr Clarke's Budget deliberations were made no easier when the British Chambers of Commerce said in its latest quarterly survey that the rate of overall economic recovery slackened during the summer, largely because of faltering export markets.

Mr Christopher Stewart-Smith, the chambers' president, said there were good economic reasons for the chancellor to cut bank base rates by at least 1 percentage point from 6 per cent and give more help to exporters in general and small companies in particular.

The chancellor also had to face renewed protests from some Conservative MPs at Westminster about the planned imposition of VAT on domestic fuel due to enter force in the next financial year as part of the effort to cut the £50bn Budget deficit.

In a move which underlined the political risks for the chancellor of the exchequer if he seeks to extend VAT any further, six Conservative MPs signed an all-party motion demanding much greater compensation for the elderly than envisaged by the government.

The consensus amongst the Conservative rank-and-file MPs is that any move to end VAT zero rating for items like food and childrens clothing would risk a full scale rebellion which could easily overturn the government's 17-seat majority.

Mr James May, director-general of the British retail consortium, who attended the lunch with Mr Clarke, said the recovery was "fragile and patchy".

It was "imperative" that the treasury did not implement any extra VAT rises, especially in the sensitive period ahead of the Christmas sales.

Other people attending the lunch included Mr Keith Edelman, Storehouse chief executive, Mr John Hoerner, chief executive of Burton, Ms Rosemary Thorne, J. Sainsbury finance director, Mr David Reid, finance director of Tesco, Mr Nigel Whittaker, corporate affairs director of Kingfisher, and Mr David Melville, head of legal affairs at Argos.

Mr John Smith, the opposition Labour party leader, sought to exploit the discontent over domestic fuel by urging potential Conservative rebels to join Labour in overturning the extension of the tax during the finance bill which will follow next month's Budget.

Farming industry right 'on the edge'

By Alison Maitland

THE BRITISH FARMING industry stands "on the edge of a precipice" and could face the same fate as the miners unless it improves its public relations, landowners and farmers were warned at a conference yesterday.

Subsidies to farmers amounted to over £2bn a year and were set to rise to £2.6bn by 1995, a level that was unsustainable when the industry accounted for less than 2 per cent of the working population, said Mr Peter Pemberton, partner in Bidwells, the chartered surveyors and farm business consultants.

Addressing a Country Landowners' Association conference in Suffolk, southern England, on the future of farming, Mr Pemberton said there would be "a barrage of criticism" when farmers received large cheques this autumn paying them compensation for cuts in price supports and for taking land out of production under the Common Agricultural Policy reforms.

"We are heavily subsidised, politically unimportant and rightly or wrongly unpopular," he said. "It is important to understand what can happen when the country's goodwill and the government's support for an industry is lost. We can go the same way as the miners."

Even if subsidies did not disappear, they would become conditional on farmers protecting the countryside and possibly allowing public access to it, he said. Landowners had to drop their "siege mentality" and farmers had to stop anti-social practices.

"With the advent of set-aside, there can be no excuse for ploughing up footpaths."

Mr Ian MacNicol, a landowner with a 4,000-acre estate in North Norfolk, said: "My own personal worry is that Europe and the European taxpayer cannot afford the present CAP policy and something has got to be done to bring down the cost."

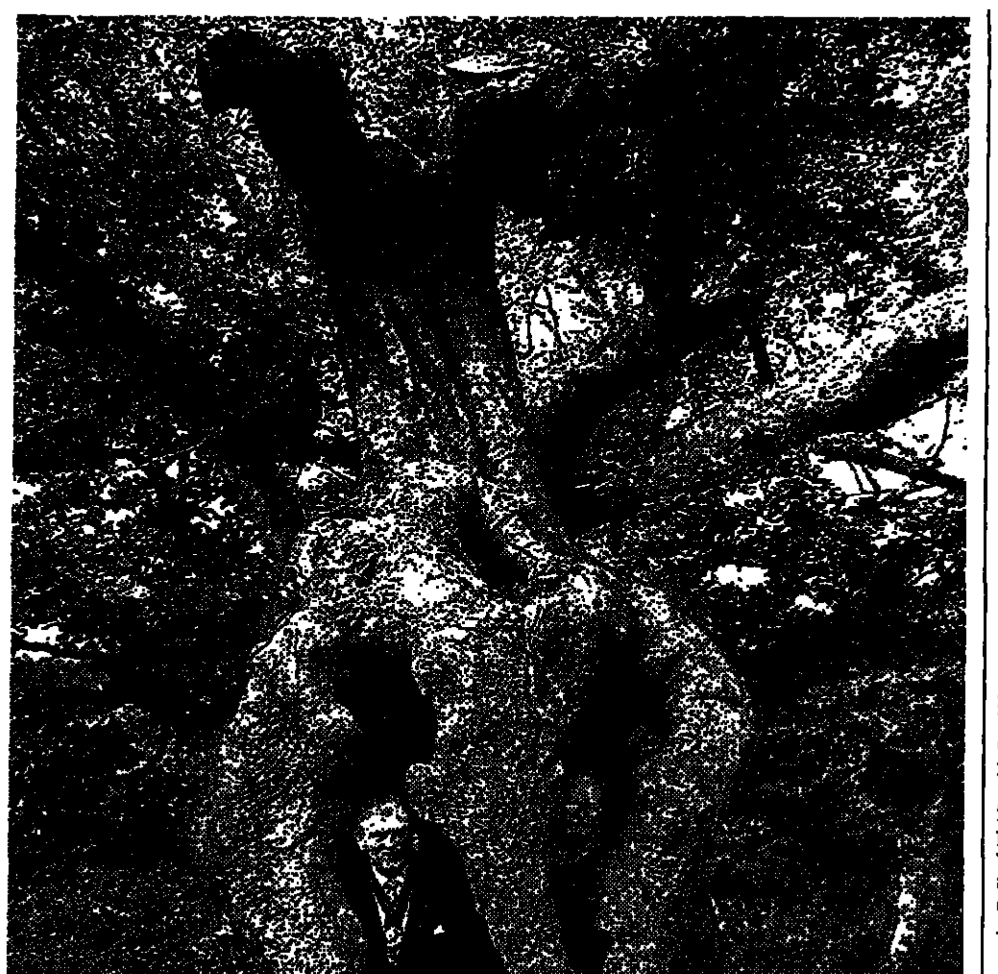
Mr MacNicol said that a study commissioned by the Dutch government predicted that the amount of land being farmed in the EC would drop from 130m hectares now to 80m or even 40m hectares. If this proved right, Mr MacNicol said, "many of us sitting in this room will not be farming at all, or getting any income from farming, as one moves through the first part of the 21st century."

Mr John Kerr, who owns a 1,700-acre farm in Suffolk, said farmers had to cut all unnecessary costs to guarantee efficient production.

"We must ensure we're the low cost producers of Europe. It's not in our interests to see Coca Cola or Nestlé build new factories in France because they can buy their inputs more cheaply there," he said.

"We have levels of price support beyond belief. We have inheritance tax rules that are nearly beyond belief. We have development and environmental grants that are beyond belief.

"Let's take advantage of these to restructure our industry."



BURNHAM BEECHES, an ancient wood which inspired parts of A Midsummer Night's Dream by Mendelssohn and Thomas Gray's famous Elegy, has been declared a National Nature Reserve. The Beeches, which border Dorneywood, the traditional country home of the chancellor of the exchequer, is already a site of special scientific interest (SSI).

The Lord Mayor of London (left), Sir Francis McWilliams, is pictured with the Earl of Cranbrook, chairman of English Nature, inside a 450-year-old pollarded beech tree. The Corporation of London owns the wood, which is to the west of the capital in the 'Home Counties'.

Watchdog outlines plan for unit trust deregulation

By Alison Smith

PROPOSALS FOR deregulating the £84bn unit trust industry were put forward in a consultation paper published yesterday by the Securities and Investments Board, the chief regulator for financial services.

But the paper does not resolve the deep divisions within the industry about the future method of pricing unit trusts. Instead it says that "dual pricing" should remain in place for the moment, albeit in a slightly simplified form, while the debate about moving to a system of single pricing must continue.

Responses to the consultation paper are due by March next year, and the SIB hopes to bring forward draft regulations on some aspects of the changes next year.

In dual pricing, potential investors see both an "offer" price, at which they could buy units, and a lower "bid" price at which they could sell. The difference between the two figures reflects charges and costs.

Many in the industry favour a single pricing system which is easier for investors to understand and which is commonly used outside the UK. There are a number of options for single pricing, and no one option has attracted overwhelming support among fund managers who favour the change.

Other suggestions in the paper include:

- liberalising the charging structures, so as to allow exit fees for all types of fund, and performance-related fees for geared futures and options funds only;
- replacing SIB's list of approved securities and derivatives markets for unit trust purposes with a duty on managers to ensure that the markets where they invest meet certain criteria. The change would allow unit trusts to invest in a much wider range of emerging markets;

There was disappointment from some in the industry, notably Gartmore fund managers, the fourth largest fund manager, and Fidelity that the lack of a consensus had made it impossible to agree on single-pricing for unit trusts.

But SIB's proposal that single pricing should be used for the open-ended investment company (OEIC), which is common in other European Community member states and which is to be introduced in the UK, will increase the prospects that there will eventually be a move to single-pricing for unit trusts as well. In the meantime, the two systems would run in parallel.

Pressure for loosening the regulation of the industry seems to have come mainly from the ready availability in the UK of offshore funds, which have greater flexibility. The draft regulations to be issued by the SIB next year could also incorporate likely changes to the EC directive on undertakings for collective investment in transferable securities, which is being revised at present.

Channel shopping 'costs' UK £260m

By Philip Rawstorne

CROSS-CHANNEL shopping is costing the government £260m a year in lost excise duty and VAT on wines and spirits – five times the amount forecast by the Treasury when the European single market was established in January.

A survey by the Wine and Spirit Association suggests that every vehicle making the cross-Channel trip returns to the UK with an average 27 bottles of wine and two bottles of spirits.

Just over a quarter of visitors to the continent do not buy any wines or spirits; but of the rest, 93 per cent buy up to 10 bottles of spirits, and 64 per cent return with up to four cases of wine.

The WSA has presented the results of its survey to Sir John Cope, paymaster-general, as part of its arguments against any tax increase on drinks in the Budget.

Mr Bernard Windsor, WSA chairman, said yesterday, that industry estimates suggested that the Treasury was also losing another £100m a year from personal imports of beer.

"The only solution is to reduce the UK's level of excise on alcoholic beverages so significantly that cross-border shopping is no longer viable."

Apart from the loss of tax revenue, the increase in personal duty-paid imports was hitting drinks retailers throughout the country, he said. The WSA also pressed Sir John for a reduction in the 65 per cent excise surcharge on sparkling wines, sales of which have declined 25 per cent in the past three years.

Mr Windsor said the Treasury had assured the WSA that any budget changes in excise duty would not be implemented until January 1 next year to avoid pricing confusion in the pre-Christmas trading period.

GPT wins UK cable contract

By Andrew Adonis

GPT, the UK-based telecomms manufacturing joint venture between GEC and Siemens, has won a contract worth in the region of £10m to supply exchanges to Southwestern Bell for its UK cable telephone network.

The order, for up to 10 System X digital telephone exchanges, gives GPT a leading position as a supplier to the fast-growing UK cable TV and telephone industry.

Southwestern Bell, the regional US operator, is building networks in seven conurbations in alliance with Cox Cable Communications.

It is the third largest cable TV and telephone operator in the UK, behind Nynex and Telewest. The company's seven franchises cover about 1.2m homes. At April 1 it had connected about 55,000 homes.

Most of the cable operators are installing their own switching equipment, to give them better terms for interconnection with BT and Mercury, who carry their long distance traffic, and to increase their operational flexibility.

Northern Telecom, the Canadian telecoms manufacturer, is the other leading supplier of switching equipment.

GPT, a 60/40 joint venture between GEC and Siemens, manufactures its exchange equipment in Liverpool, where it employs around 2,400 people.

Although still in the early stages of building their networks, the cable companies now have more than 200,000 subscribers, making them serious challengers to BT.

New pit closures likely to cut coal industry in half

By Michael Smith and Philip Stephens,

BRITISH COAL yesterday set in motion a final set of pit closures before privatisation in an exercise likely to cut an already diminished industry by at least a half.

The corporation's announcement of talks with unions on pit "results and prospects" came as the government further angered opposition parties and miners by saying it would repeal next month an 85-year act restricting underground working hours.

However, Mr Tim Eggar, energy minister, provided some comfort for the 20,000 remaining underground miners and managers by extending existing enhanced redundancy terms of payments up to £37,000, until next April 30.

In addition, British Coal said it would conduct talks under the Modified Colliery Review Procedure, which can delay closure implementations for up to nine months.

Closures announced last year were ruled illegal by the High Court after British Coal suspended the MCRP.

The British Coal announcement brought a scathing House of Commons attack from opposition parties but only a muted protest from the Conservative backbench MPs who last year halted the original closure programme.

Mr Robin Cook, shadow trade and industry secretary, said that by next April the workforce would be reduced to 10,000 compared to 40,000 a year ago.

But his charges that the government had "rigged the market" against coal and was now seeking a return to 19th century working practices failed to evoke anything more than an air of disgruntled resignation among Tory MPs.

British Coal would not say yesterday which pits are earmarked for closure, or how many are involved. However industry analysts expect at least half of the surviving 30 mines to close.

Some 21 have been closed in the last year.

Mr Arthur Scargill, president of the National Union of Mineworkers, said the government was hoping to close more pits "by stealth" in the hope of avoiding a repetition of last October's public and political outcry.

In his Commons speech, Mr Eggar said the government had approved a subsidy to British Coal, the first under a policy document scheme announced last March, to sell coal to Alcan, an aluminium producer, a plant in northern England.

The plant was previously thought to be among the most vulnerable of the 19 core pits never officially threatened with closure.

The subsidy is for 1.2m tonnes, half the pit's annual output.

More subsidies are thought to be under consideration for other pits, although none involve sales to the electricity generators.

Mr Eggar faced calls from some of the government's supporters for the government to take a more active role in preventing closures but stressed repeatedly that those decisions would be taken by British Coal management.

Vulnerable pits include all 12 reprieved last March and at least four of the 19 previously considered British Coal's core.

MANAGEMENT: MARKETING AND ADVERTISING

"I USED TO MARKET CHICKENS BUT I STILL KEEP MY HAND IN."

Of soap and Scotch

Guy de Jonquières and **Diane Summers** ask if marketing skills are transferable

When Crispin Davis last week resigned from United Distillers, Guinness' spirits division, after only 15 months as managing director, his departure was widely cited as proof of what most consumers already knew: that Scotch whisky and soap suds do not go together.

Guinness says Davis left because of a personality clash. Competitors say the hard-nosed marketing methods Davis learned in his previous career at Procter & Gamble, the world's biggest detergents manufacturer, did not fit a business which lives by premium pricing and exclusive brand image.

Whatever finally triggered his resignation, it raises a broader question. How easily can marketing skills be transferred between different businesses at a time when they are more widely in demand than ever before?

As competition intensifies, companies in sectors as diverse as banking, telecommunications, pharmaceuticals and public transport are finding – sometimes for the first time – that learning to woo and win consumers is essential for survival.

Peter Breen, managing partner of Heidrick & Struggles, an international executive search company, says marketing experience is now a pre-requisite for most top-level management posts. "Whatever the job title, marketing is a common denominator," he says.

Those who have taken their marketing expertise into new fields stress that it is not a universal discipline which can be effortlessly transplanted. Above all, it only delivers results when combined with a clear understanding of what makes individual companies tick.

"There are certain fundamentals which can be transferred," says John Robb, chief executive of the pharmaceuticals group Wellcome, who cut his teeth in consumer products marketing. "But even if you are moving within the same industry, you still have to learn about the company you're moving to. You have to adjust to the new style."

For outsiders that can be a stiff challenge. Mike Sommers, recently named managing director of MGM Cinemas after three years as marketing director of the TSB banking group, vividly recalls the shock of moving to retailing from the consumer goods industry a decade ago.

"For the first month I would sit in meetings and not understand a word anyone said. I felt like a kid who wants to play on a roundabout, and nobody will slow down to let him on," he says.

He and others argue that the transition can be particularly tough for executives schooled in big consumer products manufacturers such as P&G and Mars. That may appear paradoxical, because such companies have been widely regarded as marketing "universities".

However, sceptics say that their success has depended heavily on rigorous adherence to doing the same things steadily better – an approach that can breed inflexibility and make it hard for alumni to adapt to new corporate cultures.

"There is a big dilemma when you take somebody who has worked in a company with strong life-support systems and very clear rules for everything," says Sir James Blyth, chief executive of Boots, whose previous employers include Mars, General Foods and Plessey.

When marketing executives from big consumer manufacturers switch successfully to other companies, he says it is often because they got out early or were naturally talented, rather than because of any particular skills they brought with them.

Colin Fisher, managing director of SRU, a management consultancy with clients including Unilever and Marks and Spencer, goes further. He says many big consumer groups prosper mainly because they attract the brightest graduates, not because their marketing methods are intrinsically superior.

"A lot of consumer products people emphasise the means rather than the ends," says Sommers. "They forget it's all about consumers and become obsessed with advertising and packaging. Moving to businesses which are based on distribution or sell mainly to men can be a big wrench for them."

But successful marketing is more than a set of techniques. It is a state of mind which informs corporate priorities. Specialists say that the toughest task of all is to instil it in businesses which have previously paid little attention to customer service and consumer satisfaction.

Eurotunnel, for instance, has only just switched its attention from boring holes in the ground to seeking passengers. It has recently recruited executives from consumer companies including Lever Brothers and Heinz.

One of their first achievements has been to talk the board out of plans to run an advertising campaign celebrating Eurotunnel's engineering achievements, and to emphasise instead the services it offers.

Mercury Communications, part of Cable and Wireless, has also hired marketing talent from the consumer products industry. Roy Doughty, director of marketing, sales and customer service for One-2-One, Mercury's new mobile telephone service, previously worked for Duracell, the battery maker.

"I believe we're launching a brand in the way a consumer products company would do," he says; although he admits that the technical complexity of telecommunications systems means that much longer lead times are required.

Although Mercury Communications has been widely applauded for imaginative advertising, some specialists say that marketing has yet to lay down deep roots in its engineering-dominated culture. "Mercury only looks good because it is competing with BT, which doesn't even have a marketing director on its board," says one.

Kevin Gavaghan, former retailing executive responsible for launching electronic banking services such as First Direct, Orchard and Vector at Midland Bank, says that the first priority for people recruited to a company to improve marketing is to ensure that they have support from the top.

"You have to be invited in by a sponsor who knows exactly what he is buying," he says. Gavaghan says he received such backing when he joined Midland, but left because the bank's commitment to marketing dwindled after a change of senior management.

But for Sir James Blyth, the golden rule for peripatetic marketing executives is to be absolutely sure what they are letting themselves in for: "If you have moved companies a couple of times, you learn to pick out those areas where your experience is valuable. But you'd better listen very carefully to people in your new company about exactly why it is different."

The Italian group is set to reposition itself in the replacement tyre market, writes **John Griffiths**

Pirelli splits its image in Europe

Pirelli, the Italian tyres and cables group, has launched a new brand strategy as part of an effort to increase its share of the European replacement tyre market.

The move comes in the face of what Carlo Banchieri, deputy chairman of the tyre operation's management board, calls the most difficult conditions in his 30-year experience of the industry.

The key change for Pirelli is the introduction of what Banchieri describes as "second- and third-tier" brands to complement the main Pirelli brand. These will be aimed at owners of Europe's population of cars older than three years, looking for a cheaper deal.

The replacement sector is substantially larger than that for original equipment tyres supplied to car and truck makers.

It is also the main source of profitability – or in some cases restricting losses – for the industry at a time when Pirelli and other tyre makers are being forced to digest sharp price cuts demanded by vehicle producers.

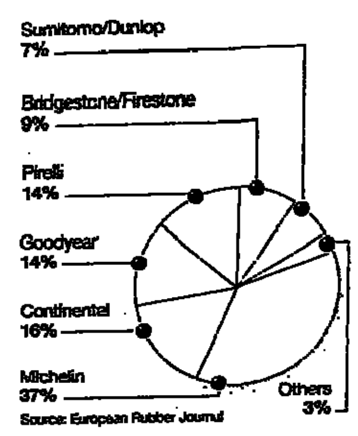
According to Banchieri, catering to the replacement market with subsidiary brands will make it easier to retain the premium pricing and image of the Pirelli brand name. Preserving that image has become increasingly difficult in the replacement market.

Pirelli already owns and produces some secondary branded tyres, notably Courier in the UK and Ceat in Italy, but they are mainly national brands. The group's strategic sales and marketing focus have been overwhelmingly on the Pirelli brand.

To compete in the cheaper replacement sectors, the company's practice has been to keep in production some Pirelli-branded tyres launched as long as 10 years ago. These are likely already to have been superseded by technically superior products, but they are relatively cheap to produce.

One problem with this approach is that the "old" tyres have to be sold at a discount to more recent offerings, and discounting is detrimental to Pirelli's image. For this reason though the discounts have not been sufficient to give what Banchieri regards as an adequate market share.

West European tyre market



Source: European Rubber Journal

By developing a pan-European secondary brands strategy, Pirelli is doing no more than recognising that European replacement tyre markets are starting to move towards the North American pattern.

In the latter there is not only a profusion of tyre makers' second- or third-tier brands such as Goodyear's Kelly Springfield; large retailing groups and even the big oil companies sell vast quantities of tyres under their own brand names.

For example, the world's single biggest retailer of tyres is superstore chain Sears, Roebuck, which sells some 10m a year.

A lot of Pirelli tyres are sold through Sears, supplied by its US Armstrong Tire subsidiary.

Far from pioneering second- or third-tier brands in Europe, Pirelli is to some extent following the path already taken by rivals such as Michelin with its Kleber brand and Continental with Uniroyal Semperit. More than 20 per cent of Michelin's sales are of "house" brands. Of German rival Continental's 100-strong product range, only a little more than a half are branded Continental.

Banchieri acknowledges that the initiative will probably be confined to the cheaper end of the market. "I cannot imagine a Porsche with second-level tyres," he says. But owners of, for example, five- or six-year-old BMWs are targets.

Pirelli hopes to increase its share of the European replacement tyre market to around 13½ per cent, from just over 10 per cent.

Conversely, says Banchieri, it has been ready to cede some unprofitable business in the original equipment sector. Banchieri says it is also likely to settle at around 13.5 per cent, against 16 per cent a couple of years ago.

Between clashes with former employer General Motors, José Ignacio López de Arriortúa has just helped Pirelli most of the way there.

Unwilling to go along with price-cuts demanded by Volkswagen's mercurial and flamboyant Spanish production and purchasing director, Pirelli has lost its original equipment business with Volkswagen, although ironically it is still supplying its Spanish subsidiary Seat. That means a further 0.3-0.4 percentage points loss of original equipment market share.

In another departure from past practice, Pirelli is to cut the time-scale for introducing the complete size range for new generations of tyres from two years to 3-4 months.

Traditionally, Pirelli and other manufacturers have synchronised the launch of a tyre with the car for which it was developed, and only in the size range applicable to that car. Other sizes would be phased in over two years.

"This was acceptable at a time when life cycles of the product were long – maybe seven or eight years. But it was not best practice," says Banchieri.

The Pirelli name will be applied only to state-of-the-art products. Existing older ones will be phased out.

At least two new Pirelli branded tyres will be introduced each year for the next few years.

PEOPLE

Sir Simon retires; Hardie takes over


The former gardening correspondent of Tatler magazine has retired. Better known for the past 12 years as chairman of W.H. Smith, Sir Simon Hornby (far right) said yesterday that he would be retiring from the helm of one of the UK's best-known high street names, making way for Jeremy Hardie (right), deputy chairman since September 1992.

Hornby's retirement at the age of 59 with effect from January 30 1994 will coincide with other executive level changes at Smith's. Sir Malcolm Field will become group chief executive; David Roberts will become managing director responsible for distribution and group support services; and Peter Troughton is to become managing director, UK retailing. He will be succeeded as managing director, W.H. Smith retail, by Peter Bamford, currently president and chief executive officer of Wee Three Record Shops, a US-based subsidiary.

Hardie, 55, has been a director of John Swire and Sons since 1982. His business career includes stints as chairman of the National Provident Institution and of Alexanders Discount. He is a director of National Mortgage Bank, William Cook and Murray Lawrence Holdings. He first joined the board of W.H. Smith in 1988.

His background is solidly rooted in the academic life; following a B.Phil in Economics at Nuffield College, Oxford, he held a variety of academic posts, was fellow and tutor in Economics at Keble College, Oxford, and has written a number of books on economics.

Hardie was a member of the Mergers and Monopolies Commission between 1976-83, and the commission's deputy chairman during his last three years there. He then took a stab at a political career, contesting Norwich South for the SDP in 1983, and again for the SDP/Alliance in 1987, though without success.

Hornby's links with W.H. Smith go back to 1958, when he first joined the company. Despite giving up writing on gardening for the Tatler in 1987 – his column lasted four years – he maintains strong interests in horticultural affairs and is on the council of the Royal Horticultural Society.

Despite his retirement from Smith's, he is not relinquishing his interests in the world of business; he remains, for example, a non-executive director of Pearson, owner of the Financial Times.

Bodies politic

The government has chosen an expert on Antarctica to be the first chairman of the new ENERGY ADVISORY PANEL of independent experts which will advise on the way energy markets may develop in the future.

Martin Holdgate, the former chairman of the Renewable Energy Advisory Group, is currently director general of the Swiss-based International Union for Conservation of Nature and Natural Resources, whose membership embraces countries, national agencies and non-governmental organisations.

Educated at Arnold School in Blackpool and at Queens College, Cambridge, Holdgate lectured at Manchester University and Durham College before turning his attention to Antarctica, where he served as senior biologist with the British Antarctic Survey in the early 1960s.

He later served with the Department of Environment as chief scientist before moving to the Department of Transport as chief scientific adviser.

His experience in Antarctica served him well as chairman of the Commonwealth Expert Group on Climate Change in the last 1980s.

■ **Simon Askins** has joined the UK INDUSTRIAL GROUP as its southern regional director. He moves from the CBI, where he has been working as southern regional director since late 1990.

The UK Industrial Group was launched one year ago with the aim of lobbying central government to adopt a more interventionist attitude towards industry. More than 70 companies have so far joined the association.

■ **Ian Kelsall**, who is to retire at the end of this month after 28 years as director of CBI Wales, is to become part-time director of Merthyr Tydfil Business Centre. The centre's aim is to help to create and support jobs as part of the regeneration of the south Wales town. Kelsall will continue at the CBI on a half-time consultancy basis until his successor has been appointed.

■ **Rodney Yates**, non-executive chairman of Olliff and Partners, and **James Morton**, senior partner of Price Waterhouse, have been appointed lay members of the GENERAL MEDICAL COUNCIL.

■ **Sir John Blelloch**, retired permanent secretary of the Northern Ireland Office, has been elected to the committee of The AUTOMOBILE ASSOCIATION.

■ **Tony Hales**, chief executive of Allied Lyons and current vice-chairman, has been appointed chairman of the CBI's national manufacturing council in succession to Sir Alistair Frame.

Lamb leaves RAM

Richard Lamb, a Latin American fund manager at Rothschild Asset Management, is joining the flood of emerging market new recruits heading for Morgan Grenfell.

However, Lamb, 36, is joining the fund management side of the business rather than the brokerage operations. He will head a team of three covering Latin America's emerging stock markets. Morgan Grenfell Asset Management Ltd has about 100 fund managers worldwide with about £37bn of money under management, out of which about $1bn is in the emerging markets including about $200-300m in Latin American equities.

At RAM, Lamb was responsible for managing its Chile Fund and Five Arrows Fund. MGAML says it is keen to strengthen its Latin American investment team, and is also hoping to raise its profile in Latin America by managing funds for local institutions and other investors.

Morgan Grenfell's Debt Arbitrage and Trading operations recently lured about 20 emerging markets equity traders, analysts and sales staff from James Capel because it intends to complement its existing debt trading operations by expanding in the emerging equity markets business.

Finance moves

■ **Kenneth MacLennan** has been appointed director, Europe, of STANDARD CHARTERED Asia Pacific Merchant Bank Group, based in London.

■ **Achut Bommakanti** has been appointed senior general manager for Europe, South Asia, Middle East of ANZ Bank and md of ANZ GRINDLAYS BANK based in London on the retirement of Bevyn Ranford.

■ **Angus MacPherson** is promoted to become a director of SAMUEL MONTAGU and is joining Trinkaus Samuel Montagu in Düsseldorf as a joint md.

■ **Mark Lund**, formerly a consultant, has been appointed md of HENDERSON International in succession to Colin Day who remains chairman of Henderson Pension Fund Management.

■ **David Kidd** has been appointed chief investment officer and deputy md of Cantrade Investment Management, part of UBS; he moves from Capital House Investment Management, part of RBS.

■ **Nick Levene**, formerly manager of Tullet & Tokyo's OTC equity division, has been appointed director of Martin Bierbaum Equity Derivatives, part of TRIO HOLDINGS.

■ **Roland Kitson** and **Stephen Garrahy** have been appointed directors of JOHN GOVETT UNIT MANAGEMENT.

TECHNOLOGY

Japan keeps its shirts in shape

A shirt with a memory is the latest technological breakthrough to ease the lives of Japan's hard-pressed salarymen.

Introduced earlier this year by two medium-sized textile groups, *Tomiya Apparel and Choya* Corporation, memory shirts are designed to hold their original pristine shape after washing, so doing away with the daily ironing.

While the rest of the clothing industry is in a downturn, memory shirts are beating their sales targets in Tokyo department stores, the traditional testing ground for generations of new technology products.

They are thought to be popular among salarymen who are forced to spend the night in a city-centre hotel after long evenings at the office or drinking beer with colleagues – both events which tend to create crumpled shirts.

The trick is a chemical which memorises structures and pulls back to its original shape at room temperature. This means the memory shirts also shrink less than their ordinary counterparts.

The chemical can either be baked onto the fabric – the Choya method uses a technique developed by Nisshinbo Industries, a Japanese textiles group – or sprayed on in gas suspension, the method used by Tomiya, based on a technology developed by American Textile Processing.

So far the memory shirts have gone down well, despite the fact that they cost around 20 per cent more than normal, forgetful shirts. Tomiya reports that it had to boost its output by 30 per cent last month to cope with demand.

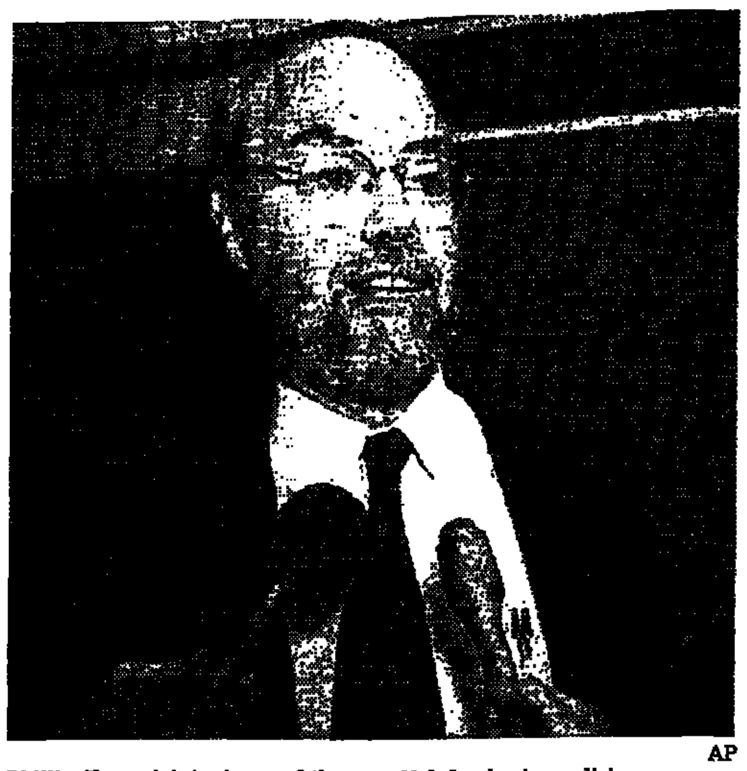
Isetan, a leading Tokyo department store, has set aside a quarter of its shirt sales space for memory shirts, which it sells for Y6,900 (£43) in white – as favoured by most Tokyo office workers – or Y7,900 in patterned designs.

They can be purchased more cheaply at supermarkets such as Ito-Yokado, which was so *impressed with its initial trials* – at between Y3,900 and Y4,900 – that it plans to stock them throughout its chain by mid-November.

Will Dawkins

Domain of the genes

Victoria Griffith looks at a breakthrough in biotechnology



Phillip Sharp, joint winner of the 1993 Nobel prize in medicine AP

Richard Roberts and Phillip Sharp helped take the nonsense out of gene research – literally. Without their work, for which they have just jointly been awarded the Nobel prize in medicine, much of today's biotechnological developments would not have been possible.

The award highlighted the importance of biotechnology in medical research by giving formal recognition to a discovery in gene structure that has yielded new product developments in the biotechnology sector and promises to lead to many more.

The achievement of British-born Roberts and Sharp, an American, was to overturn the idea that genes were arranged on DNA strands in a continuous chain. Instead, they found that genes have distinct *"domains" or gene sequences*, separated by what have been called nonsense DNA or introns.

They made the discovery simultaneously but independently in 1977 by using electron microscopes. It is credited with speeding up the biotechnology revolution and paving the way for gene therapy, a nascent field in which genes are used as drugs.

Genes are arranged along strands of DNA, which contain the blueprints for the creation of life. To reproduce itself, DNA unzips into RNA messenger strands, carbon copies of the DNA. The RNA then invades protein molecules and imprints them with the genetic codes for development.

The laureates' breakthrough showed that the messenger RNA edits out the introns between the gene sequences to form a clear genetic code that can be read by proteins, the building blocks of life.

The discovery was applied immediately to the fabrication of certain hormones, for instance the human growth hormone used to treat dwarfism. "It became clear after this discovery that if you were going to express a gene for a hormone, you'd first have to remove the nonsense sequences," says Sharp. The discovery also yielded clues for research into cancer and certain hereditary diseases which occur from mistakes during the DNA copying and editing process.

"After the study, scientists were able to study genes in the cancerous or mutant state and compare it to the normal state," says Roberts, a researcher at New England Biolabs. "Before the discovery, we did not know what the normal state looked like." Sharp and Roberts did their work in 1977, but some of the possible applications of the discovery are only now being fully explored.

"It's not just that we realised genes were divided into sequences," says Joseph Davie, vice-president of research at Biogen, the biotechnology group. "We realised they had separate domains for a reason, which was that they had different functions. One of the important things to come out of this is that we realised we did not have to create copies of molecules just as they were found in nature. We could split up their functions and rearrange them to create our own, new molecules by combining part of one gene and part of another."

This technology is still in its early stages, but some biotechnology groups say they are having success. *Seattle-based Immunex is develop*ing a bone marrow stimulant which brings two gene domains together in a single molecule. And Biogen says it is also working with "designer molecules" to target cancer, inflammatory, immunological and cardiovascular diseases.

"One area we've had success in," says Sharp, one of the founders of Biogen and now a professor at the Massachusetts Institute of Technology, "is in making new antibodies by combining mouse antibodies with human antibodies. This allows some of the mouse antibodies to be used by humans."

"The 'gene knockout' technique, by which you eliminate certain genes in mice, is now used widely to create mutations which are then used in research. That would not have been possible without the Nobel work"

Since 1977, scientists have been advancing their knowledge of how genes work. *"The reason it's taken* so long since the original discovery for companies to start getting into mixing is because first we had to know what individual gene domains actually do," says Davie. "Now we can become more sophisticated in mixing them up."

New sophistication in gene splicing has improved research methods. "The 'gene knockout' technique, by which you eliminate certain genes in mice, is now used widely to create mutations which are then used in research," says Laurence Lasky, staff scientist at Genentech. "That would not have been possible without the Nobel work."

The discovery was also fundamental to advances in the complex field of gene therapy. "Unless you understand how a gene is expressed, there is no hope for gene therapy," says Dr Sharp.

According to Hubert Shoemaker, chairman of Centocor, the work was also important because it stressed that when the gene message gets re-processed, *it may get mixed up*. "We need to take into account the stability of the genes we create in the field," he explains.

Sharp and Roberts stress that their work was just one step in a revolution of new ideas which have exploded over the last two decades.

Several important discoveries followed on the heels of the Nobel laureates' initial work. After the notion of gene domains was established, for instance, scientists began to consider the possibility of using RNA as an enzyme.

"We began to see that RNA molecules have a function besides the transferring of information," says Shoemaker. "They can also function as enzymes and we may see a whole new series of drugs based on RNA as enzymes."

Researchers also began to consider using adhesive RNA strands as inhibitors. "We have now adopted the concept that there is a single domain on the gene which is responsible for binding," says Lasky. Normally, we think of peptides and other substances as binders, but RNA portions may also be used. If they bind to a specific site, the activity of that molecule may be *inhibited*. This could be used as a drug for a number of diseases including Aids."

Another key development is the discovery that introns serve as moderators in the expression of the gene sequence. "By including introns in the expression of a system, we can get a much more effective protein," says Patricia Tekamp-Olson, director of research at Chiron.

"It's very likely that they will be increasingly used as enhancers for recombinant proteins. Another theory is that they may provide information which makes the gene tissue specific. For instance, we may be able to use introns to target specific tissues within the body while ignoring others. That would be a key advance."

Eyeing up the computer screen

Tom Foremski on plans to link the human nervous system to PCs

Move your eyes across the computer screen and the cursor follows faithfully. Choose a command by simply looking at the menu selection and blinking, and the computer responds.

This might describe the most natural computer user interface of all, allowing eye movement to control computers *and thus* going beyond the present ubiquitous computer mouse and graphics icon systems which are based on technologies first described in the mid-1960s.

If tiny BioControl Systems in California's Silicon Valley has its way, people will soon control computers by moving their eyes and "thinking" commands.

BioControl says it has developed a technology that links the human nervous system to a computer. Its BioMuse system can be programmed to interpret the user's biosignals – tiny electrical signals produced by the human body's nervous system.

These can then be used to control a computer or anything controlled by one. Surgical equipment, for example, could be controlled by a surgeon's eye movements, allowing for delicate work to be performed.

But what if the surgeon is distracted by something and looks elsewhere? Not to worry, says Anthony Lloyd, executive vice-president of BioControl Systems.

"The surgeon could simply clench his jaw. That would be the signal that would disengage the system, allowing the surgeon to move his eyes without danger of doing something unwanted."

A lightweight headband is worn, much like a sweatband. This contains a row of gel-based sensors which pick up and amplify signals from the nervous system and send them through a wireless connection to the BioMuse box. The BioMuse contains a powerful, eight-channel, digital signal processor which interprets the *biosignals and maps them to* whatever result the application requires.

In one demonstration, the BioMuse is programmed to interpret the biosignals associated with moving the eyes to control a musical synthesiser. The user produces musical sounds by closing and opening the eyes, and moving them from side to side.

The BioMuse can also interpret brain wave activities and be programmed to respond to *different* brain wave states, raising the intriguing possibility that users could "think" commands. This is the focus of a research project at the University of Illinois which is using BioMuse technology to allow users to try to produce words on a computer screen by simply thinking them.

BioMuse will also respond to muscle activity, allowing severely disabled persons to control their wheelchairs or other equipment through tiny muscle movements picked up by sensors mounted in a leg-band or arm-band.

With forearm-based *sensors*, the BioMuse system could allow hand gestures to control a computer. This conjures up the intriguing possibility of frustrated computer users telling *their computers exactly what* to do with a simple hand gesture.

Twenty organisations, including the US navy, US medical research laboratories and universities, have paid $10,000 (£7,142) for research and development licences to use the BioMuse technology in various applications. There is also considerable interest from European organisations, some of which have bought licences. These include Volvo Research in Sweden, Pigreco, an Italian animation company, and the University of Barcelona.

"There is a huge number of potential applications for this technology," says Lloyd. "The next step is reducing the BioMuse box to the size of a chip that can be mass produced."

Lloyd adds that a large Silicon Valley-based chip manufacturer is interested in producing the BioMuse chip.

By shrinking the box's circuitry on to a chip, the BioMuse technology could be made cheap enough for a wide number of mass market applications.

Cinema/Nigel Andrews

Family values distorted

We have heard much about family values recently. Across the land, wild untamed Conservatives have inveighed against single parents and their drain on the nation's money and morals. The media have taken up the theme; clerics have cried "Yes!" or "No!"; and civilisation has stood on tiptoe, awaiting the verdict.

Now here is a film on the subject. But Andrew Birkin's *The Cement Garden*, based on Ian McEwan's novel, addresses the theme of family values (at least the Tory-hallowed version) much as a wrecking ball might address a cathedral. There is dying Mum (Sinead Cusack), soon to be buried by her children in the cellar. There is Dad (Hans Zischler), taken off by a heart attack while eccentrically cementing over the garden ("It'll be that much tidier"). And there is teenaged son Jack (Andrew Robertson) who grows out of his narcissist pleasure in mirrors to enjoy a fullblooded heterosexual liaison with his sister (Charlotte Gainsbourg). Did we mention the younger siblings, Sue and cross-dressing Tom? Just as well.

Slouching towards Britain to be born, this film has already won a brace of festival prizes including Best Director at Berlin. Birkin comes to it after one stylish, star-crossed previous feature *Burning Secret*. (The star who crossed it was Faye "Ready for my fiftieth close-up" Dunaway). Here he has compromised not a jot. The movie is a picture of Hell that keeps shimmering, like those *trompe l'oeil* double-image postcards, into a glimpse of Heaven. The images range from bilious sunsets to interiors as grey and grungy as last month's cheese. The dialogue has a gnomic, comic gaucherie enhanced by its sense of semi-detachment from some of the foreign players. (This is a German-French-English co-production.) And the film's loopy serenity, against many odds, becomes a joy.

Even the in-your-face nepotism of the casting, with Birkin's son and niece (Mlle Gainsbourg) in leading roles, seems right in this tale of cabin fever domesticity spiralling into incest. For the reason the children conceal Mum's corpse in cement is that they hope to stay together and avoid orphanages. But the family that stays together may end up doing a lot of other things together.

Like any McEwan story, *The Cement Garden* has a cinegenic eeriness alive with surreal incidentals. Birkin places the family's house, a concrete box in British Bauhaus style, in a weed-and-rubble wasteland that might have been designed by T.S. Eliot. Here the characters come and go, talking of emotional vertigo. And the sense of existential cadenza – not so much a programme for revolt, more a slow dive into hedonism as a sweet and least-resitance way of life – is conveyed by the laid-back, perfectly judged performances.

Indeed the marvel of *The Cement Garden* is its poker-faced detachment. Birkin asks no questions, gives no answers, tells no lies. He is a fly on the wall – one of several – in a household where human nature and human order, deprived of parental censure, is returning to basics. Strip away civilisation as we know it, suggests the movie, and boys will be boys, girls will be girls and each, more than likely, will end up trying to be the other.

★

Anthony Minghella's *Mr Wonderful* is more upbeat about family values. Like the Tories the movie curses the unmarried state, but as much for money reasons as for moral ones. Alimony-stung blue-collar worker Matt Dillon cannot get out of the financial hole he is in. (Cue symbolic shots of him in a hole in the road working for New York's electricity company Con Edison). He wants to join his mates in a money-making enterprise: rebuilding a derelict bowling alley. But look! His pockets are empty and ex-wife Annabella Sciorra will never let him off the maintenance hook while she remains unmarried.

Lightbulb idea! What if Dillon finds a "Mr Wonderful" for her? Then he can live happily ever after with *his* girlfriend (Mary-Louise Parker), plus his bowling alley buddies and lots of money.

Charlotte Gainsbourg and Andrew Robertson in 'The Cement Garden'

After Minghella's *Truly, Madly, Deeply*, this film is truly, maddeningly shallow. Taking over an original script by Amy Schor and Vicki Polon, the British playwright-film-maker has first endorsed its sentimental excesses and then allowed composer Michael Gore to pour musical syrup over it (warbling, wall-to-wall jazz). Worse still, whenever Dillon, Sciorra and Parker look like establishing a base-camp adequacy with their roles, Minghella brings on supporting star William Hurt, who strides past them with goggles and pitons towards the peak.

Hurt is superb as Sciorra's current boyfriend: a sad-sack college professor who knows that his older, married status sentences him to an unspecified hour of doom. Listen to the lifetime of caustic despair in his pronunciation of the word "Gus!" (Dillon). Watch his face grimace with irony as he comments on Dillon's IQ: "He's not exactly *plagued* with ideas, is he?" For of course Sciorra's real Mr Wonderful – we can see it coming from the other side of New York State – is none other than her *ex*-Mr Wonderful, Mr Dillon. Cue contrived reunion, climactic tears and even more of that warbling jazz music.

★

The first ever professional review I wrote was of a 1969 film called *Marlowe*. It starred James Garner as Chandler's gumshoe, but neither I nor anyone else back then noticed Garner. The film was stolen in a small role by a yowling, kicking, seemingly stark-mad Oriental called Bruce Lee. Here was a young actor born to defy gravity, smash furniture and imitate the searing cries of an impaled banshee.

This debut movie does not figure in *Dragon – The Bruce Lee Story*. But then neither does much else of interest. Faithful to Lee's wife's official biography, it stomps blandly on from one career crossroads to the next as our hero, played by the unrelated Jason Scott Lee, climbs from Hong Kong poverty to Hollywood glory. The fight scenes are frequent and daft. The romantic scenes are frequent and dull. And when Robert Wagner wanders into the plot wearing an industrial-strength suntan and gold medallion – sign-language for "bigshot film producer" – one senses the entire movie sinking slowly into oblivion.

Lee deserves a good film. His legend is among the weirdest of modern times: even his gift for early mortality (he died at 32) being handed on dynastically to his actor son Brandon, shot dead this year by mysterious accident on a film set. But *Dragon* is not a biopic, more a large glossy PR brochure punched with sprocket-holes.

★

Once Upon A Forest is about a hedgehog, mole and mouse who trek across a forest poisoned by a chemical spill to find medicinal herbs for a dying badger. It is – you guessed – an animated feature. But "animated" hardly seems the *mot juste* for this latest eco-lecture from the industry that brought us *FernGully: The Last Rain Forest*. Winsomely characterised, dully scored, it relies on two guest voices – Michael Crawford's as old Cornelius Badger and Ben Vereen as a hot-gospelling marsh bird – to kick it into life for two brief song-and-dance numbers.

Better is *Homeward Bound: The Incredible Journey*. Here the guest voices are Don Ameche, Michael J Fox and Sally Fox, dubbing real not cartoon animals. Two dogs and a cat, sundered from their human owners, set out home across hundreds of miles of danger-infested Sierra Nevada.

For dumb animals, they deal in a lot of smart dialogue. "I hate fast food" cracks the Fox dog as a breakfast-earmarked rabbit hightails out of his reach. But then 30 years have gone by since Disney first filmed this story, based on Sheila Burnford's novel. We now have an entire generation of streetwise, short-attention-span brats who if the animals do not talk will probably rush straight from the cinema and back to their Nintendo games.

What would Professor Noam Chomsky, prophet of our communications era and America's favourite thorn-in-the-side radical, make of it all? Find out in *Manufacturing Consent*. I found this 2¾-hour docu-portrait riveting even though *I* disagree with nearly all Chomsky's views. The film has been seen before on TV, but not at this uncut, unexpurgated and wholly unboring length.

THE CEMENT GARDEN (18)
Andrew Birkin

MR WONDERFUL (12)
Anthony Minghella

DRAGON – THE BRUCE LEE STORY (15)
Rob Cohen

ONCE UPON A FOREST (U)
Charles Grosvenor

HOMEWARD BOUND (U)
Duwayne Dunham

MANUFACTURING CONSENT
Peter Wintonick and Mark Achbar

Theatre

Pacific Overtures

The Leicester Haymarket has acquired a reputation as one of the country's leading homes for musicals; and this staging of Stephen Sondheim's 1976 musical *Pacific Overtures* shows you why. The large company, with 16 performers playing several roles each, performs on a high level. Paul Kerryson's staging is deft and eloquent, and Charles Cusick-Smith's designs are striking.

Pacific Overtures (best known in this country from an English National Opera staging) portrays the events of 1853, when, after 250 years of isolation, the Japanese first established contact with Western society. The central irony is that the tale is told as if from the Japanese point of view, and illustrated with key features of Japanese theatre: onnegata, whereby female roles are played by men; kabuki, whose bold maquillage and coiffures are employed, even for the American characters; and bunraku, whereby certain silent figures in black attire behave like puppeteers.

There are many shrewd musico-dramatic strokes.Perhaps the most telling is the one in which three British sailors climb over a wall and accost a young Japanese woman. The trio they sing at her is gentle, plaintive, and its overlap of three separate voices is exquisite. Such delicacy! But what they are attempting is rape, and she (played by a man) sits there in the middle of her trap, trembling in terror all the while. Elsewhere, the story Sondheim tells is multi-faceted, with scenes of comedy, love, grief, and conflict.

The Leicester staging is virtually flawless. Russell Dixon takes the central role of narrator and Shogun with command. Amid the excellent supporting cast, three are outstanding: Scott Davies as Kayama (a minor official catapulted into the forefront of international negotiations), Michael Heath as the Shogun's knowing mother ("Chrysanthemum tea"), and Peter Edbrook as a madam training her "girls" to receive the invading Americans. The only flaws are that "Pretty lady" should be more mellifluous, and the big dances lack variety.

And yet, and yet ... The more Sondheim you know, the less there is. I acknowledge his finesse and his urbanity. But oh, how all those smart little cycles of clever worldweariness weigh one down. So many rhymes are insistently milked. So many lines are just four, six, or eight syllables long. So many phrases are strings of evenly weighted syllables until the last is prolonged.

Sondheim is often praised for steering his idiom clear of the rock musical. True, Sondheim's urbanity is a cut above the crudities of *Les Mis* or *Phantom*. But what are you to make of a modern musical composer who not only does not rock but also cannot even swing? He seems both glib and repressed. *Pacific Overtures* has plenty of japonaiserie – plus minimalism of a generally exotic type; but these features are only skin deep. *Au fond*, Sondheim's musical style is just an ever so refined version of old vaudeville formulae. The overall effect is sophisticated, trite, and, above all, anaemic.

Sometimes, listening to *Pacific Overtures*, I thought "This is his best musical." I would not, however, care to work out which is his worst. Or to calculate what little difference there is between the two. Bygone innocence is forever counterposed by present dissatisfaction. Nostalgia and cynicism rule. The modernisation (Americanisation) of world culture that afflicts Japan here is the same as afflicts art in *Sunday in the Park*. Worse, Sondheim's characters lack force and scale. Beneath all that polish lies a depressing meagreness of spirit.

Alastair Macaulay

At the Haymarket Theatre, Leicester, until November 6

Ballet/Clement Crisp

Grigorovich's young dancers

The evening could not have had a more unpromising start. Yury Grigorovich's *Ballet of the Bolshoi Theatre*, a troupe of young dancers chosen from schools and companies across Russia, was embarking upon a brief regional tour. The Corn Exchange Hall in Cambridge is un-raked, so that even from my privileged placing, feet were often invisible. The curtain rose – after a false start – and there we were at the court of King Lurex XIV. The programme book (coloured pictures; no details as to casting: price £4) alleged that this was a "suite" from *The Sleeping Beauty*. What we saw was the first act garland waltz, most of the wedding scene (with a couple of vicious musical cuts: the score is taped), and a stage flimsily decorated, not least by pudding-faces in tinsel crowns, uneasy expressions, and costumes which I think I recognise from Grigorovich's *Swan Lake*, who must deck the edges of the action and pretend to be regal or courtly in their Mary Pickford wigs and reach-me-down robes.

I would venture that in no other theatre art are performances of the staple repertory so brightly and unwarrantedly optimistic as in ballet. Incompetents trip about, gulling a public into supposing they are seeing *Swan Lake*, or similar lures for the unwary, in productions of miserable ineptitude. These grand ballets are opera house fare, demanding dancers of the most serious accomplishment, and stagings respectful and imaginative. Anything else is an insult to the work, to the audience, and to the art of ballet itself.

This *Beauty* was, shall we say, unlikely. Yury Grigorovich, whom I admire tremendously for what he has achieved during three decades as master of the Bolshoi Ballet – through periods of political and artistic stagnation and uncertainty he has kept the company vital – loves and honours the classics, as we know from his productions. His young troupe does not possess artists able as yet to make sense of *Beauty*'s massive demands, in technique or style.

The Aurora (Elena Kniazkova) was a soubrette; the Bluebird was a spindle-shanked youth who looked as if he should have been in bed hours before – in a few years time he may indeed become a Bluebird, but at the moment he is physically immature. The other dancers marked time (if corps de ballet) or dashed off their solos as if eager to get them over with. Only the Lilac Fairy (Natalia Bashkatova) suggested something radiant and apt for the ballet.

By the interval I wondered if flight were not the most honourable critical response. Duty prevailed. I stayed, and I was glad I stayed. The second part of the evening brought divertissements from the traditional repertory which made sense of Grigorovich's idea of a "young" ballet, and of the subtext of the evening, which is the Russian heritage of classical training and performance. The dancers suddenly looked like dancers, at ease with their art. Interpretations were, in the main, rewarding. The repertory was predictable – *Black Swan*; *Don Quizote* of course, – but offered one gem in *The Naiad and the Fisherman* which is a not wholly suspect survivor from the 1850s. It was made by Jules Perrot in St. Petersburg. How it has survived (and how much has survived) can be debated: but its steps, like its Pugni music, are pretty and credible without being egregiously quaint, as six girls and two boys surround a principal couple with bright, buoyant dances. I liked Maria Mosina and Andrey Evdokimov as they sparkled through it, just as I admired Tatiana Ledovskikh in the third act duet from *Swan Lake*, to which she brought mature understanding and a sense of theatre. Some of the bravura tricks fell apart. This did not matter: she gave us a true and distinguished interpretation.

The young also romped through the tango from *The Golden Age* – kittens playing at being naughty tigers – and a couple of other numbers. More enthusiasm than polish at times, and some dubious playing to the public, but performances were life-size. So much of the ballet we see in Britain looks polite, pinched, scaled down to fit into notions about the niceness of classical dancing as an activity for little girls. Yury Grigorovich's young show us that it is an art to which you must give yourself without reserve, and with joy.

The Grigorovich Ballet can been seen in Eastbourne on October 20; then in Jersey on October 22, 23, and in Cork on October 28,29,30.

Mr and Mrs Nobody

Pooter is the very model of John Major's diary in *Private Eye*. Here is a conventionally decent man recording every day events in a slightly complacent way while not wholly understanding what is going on around him.

Shaming admission: I had not read *The Diary of a Nobody* until I was doing my homework for this play. Everything that has been said in praise of the book, which began as a series of diaries in the late 19th century *Punch*, is absolutely right. The book is brilliant.

The trouble with *Mr and Mrs Nobody*, the stage adaptation by Keith Waterhouse, is that it is Mrs Pooter's Diary as well as Mr's. As Waterhouse freely admits, he was at least as intrigued by Carrie Pooter as by her husband, Charles. So he devised the wife's diary to go along side the original "with the two journals fighting it out, so to speak, as they provide often conflicting accounts of the same event".

This is a fatal mistake. *Private Eye* has shown that you must choose one partner or the other. With Harold Wilson you chose Mary;with Margaret Thatcher it was obviously Denis, and with the Majors it is John. The result is a one-eyed view of the world, but amusing, ironical and often perceptive, just like Pooter.

The Waterhouse version is not new. It has a six month run at the Lyric in Shaftesbury Avenue in 1986, starring Judi Dench and Michael Williams. The 1993 revival stars no less than Patricia Routledge and Clive Swift. And the lovely Richmond Theatre was packed with expectation.

Seldom has one heard so few laughs in a show designed to amuse. Not much pathos in the Pooter life either. The few good scenes are concentrated on songs around the piano: they could come from anywhere.

Times, fashions change. *Mr and Mrs Nobody* may have worked in 1986. What Ms Routledge and Clive Swift are doing in a piece like this, directed by Matthew Francis of the excellent Greenwich Theatre, and produced by Duncan C Weldon who has an eye for the West End, in the year 1993 is beyond comprehension. So many talents; so few rewards. The production ought to be stopped in its tracks before there is a real disaster.

Malcolm Rutherford

Richmond Theatre until Saturday. (081) 940 0220

INTERNATIONAL ARTS GUIDE

■ ATHENS

Megaron Concert Hall Tomorrow, Sat: pianist Dmitri Sgouros and Borodin Quartet play music by Brahms, Chausson and Stravinsky. Mon: ERT National Symphony Orchestra. Oct 29: Viktoria Mullova violin recital (01-728 2333/01-722 5511)

■ BOLOGNA

Teatro Communale Tomorrow and Sat: Christian Thielemann conducts Beethoven's Sixth Symphony and Brahms' Fourth. Next week: Thielemann conducts Stravinsky and Richard Strauss. The opera season opens on Nov 27 with Puccini's Trittico (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings. For information, call 051-529999)

■ BARCELONA

Palau de la Musica Tonight: Kiri te Kanawa song recital. Sat: Pinchas Zukerman, accompanied by Marc Neikrug, plays violin sonatas by Mozart, Beethoven and Mendelssohn. Nov 1: Myung-Whun Chung conducts Orchestra of La Scala Milan (301 6943)
Gran Teatre del Liceu Next Wed: first night of Giordano's Fedora, with a cast led by Mirella Freni and José Carreras. Further performances Oct 30, Nov 3, 7, 10, 13 (tel 412 3532 fax 412 1198)

■ FLORENCE

Teatro Communale Tomorrow, Sat, Sun afternoon: Georges Prêtre conducts Webern's Im Sommerwind and Mahler's Das Lied von der Erde, with Anne Gjevang and Gösta Winbergh. Next week's concerts are conducted by John Nelson. Nov 1: Daniel Barenboim piano recital (055-277 9236)

■ LONDON

THEATRE

● Machinal: Fiona Shaw stars in Sophie Treadwell's 1928 classic of the American avant-garde, about a woman who tries to break free from the pressures of a mechanistic world. Directed by Stephen Daldry in the Lyttelton (National 071-928 2252)

● David Hare Trilogy: a three-part examination of major British institutions, presented in the Olivier Theatre by a single company of actors directed by Richard Eyre. The Absence of War, Murmuring Judges and Racing Demon can be seen individually – or all on the same day on Oct 23, 30, Nov 13 and 20 (National 071-928 2252)

● Wallenstein: Tim Albery has condensed Schiller's trilogy for this RSC production in The Pit (Barbican 071-638 8891)

● Exact Change: European premiere of David Epstein's new comedy about a trio of New Jersey restaurateurs who become embroiled in theft, kidnapping and dentistry. Opens on Mon (Lyric Hammersmith 081-741 2311)

OPERA/DANCE

Covent Garden The main event this week is the premiere by the Royal Ballet on Sat of new choreographies by Matthew Hart (music by Brian Elias) and William Tuckett (music by Ravel), in a mixed bill with a new production of William Forsythe's Herman Schmerman (with Sylvie Guillem) and a revival of Kenneth MacMillan's Different Drummer (repeated Oct 26, 27, Nov 10, 16, 24). MacMillan's production of Romeo and Juliet is revived on Oct 29 with Viviana Durante and Irek Mukhamedov. The Royal Opera's repertory consists of a revival of John Cox's production of Yevgeny Onegin conducted by Mark Ermler (with Dmitri Hvorostovsky and Catherine Malfitano), Mozart's Mitridate (with Jochen Kowalski, Luba Orgonasova and Ann Murray) and a new production of Meistersinger conducted by Bernard Haitink and staged by Graham Vick, with John Tomlinson, Thomas Allen, Gösta Winbergh, Deon van der Walt, Nancy Gustafson and Anne Howells (071-240 1066)
Coliseum English National Opera's repertory consists of Graham Vick's production of The Rape of Lucretia (with Jean Rigby, last performance tonight), Jonathan Miller's production of Il barbiere di Siviglia (with Alan Opie as Figaro) and a new production of La boheme, conducted by Noel Davies and staged by Steven Pimlott (final performance next Wed). Vick's production of Le nozze di Figaro is revived next Thursday (071-836 3161)

CONCERTS

South Bank Centre Tonight: Leonard Slatkin conducts Philharmonia Orchestra in works by Haydn, Weber, Liszt and Tchaikovsky, with piano soloist Alfred Brendel. Tomorrow: Barry Wordsworth conducts LPO in Elgar, Delius, John Rutter and Tchaikovsky. Tomorrow (QEH): Ivan Fischer conducts Orchestra of the Age of Enlightenment in works by Krommer, Kozeluch and Benda. Sat: Ute Lemper. Sun: Peter Maxwell Davies conducts RPO in Holst, Maxwell Davies and Vaughan Williams, with violin soloist György Pauk. Sun (QEH): Alban Berg and pianist Rudolf Buchbinder play chamber music by Dvorak and Janacek. Tues: Jiri Belohlavek conducts LPO in Dvorak and Janacek. Tues (QEH): Hagen Quartet. Wed: Michael Schoenwandt conducts Philharmonia Orchestra in Dvorak and Brahms, with piano soloist Alfred Brendel (whose next concert is on Nov 4). November 1: Vienna Philharmonic Orchestra. November 3: Maurizio Pollini (071-928 8800)
Barbican Tonight: Siberian National Folk Dance Ensemble. Tomorrow: David Atherton conducts London Sinfonietta in works by Stravinsky, Strauss and Robin Holloway. Mon: London Soloists Chamber Orchestra plays Beethoven programme, with soloists including Jill Gomez. Tues: Stephanie Gonley directs ECO in Vivaldi, Corelli and Dvorak, with recorder soloist Michala Petri. Wed: London Oriana Choir in Handel's Messiah (071-638 8891)

■ MADRID

Aldo Ceccato conducts Spanish National Orchestra tomorrow, Sat and Sun at Auditorio Nacional de Musica, music by Bach, Stravinsky and Tchaikovsky. Next Tues: Gundula Janowitz song recital (01-337 0100).
Next Wed at Teatro Lirico La Zarzuela: Martha Graham Dance Company gives first of five performances, opening a two-month dance season (01-429 8225)

■ PRAGUE

● Andrew Litton conducts Czech Philharmonic Orchestra tonight and tomorrow at Dvorak Hall in works by Richard Strauss and Tchaikovsky. Sat: Jean-Philippe Collard piano recital. Next Tues: Vladimir Valek conducts Czech Radio Symphony Orchestra in works by Schumann and Petr Eben (02-286 0111/02-232 2501)

● For pre-booking and information about other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 02-261602, or Bohemia, Na Prikope 16, tel 02-228738, or Melantrich, Wenceslas Square 38 in the passage, tel 02-228714) and theatre box offices.
Tickets can be ordered from abroad through Bohemia Ticket International, Salvatorska 6, 11000 Prague 1 (fax 02-231 2271)

■ ROME

Daniele Gatti conducts Verdi's Requiem tonight, Sat and Sun at the Accademia Nazionale di Santa Cecilia, with soloists Aprile Millo, Florence Quivar, Sergei Larin and Roberto Scandiuzzi. Oct 30, 31, Nov 1, 2: Giulini conducts Franck and Debussy (06-678 0742)

■ STRATFORD

Two new Royal Shakespeare Company productions open over the coming week. Elgar's Rondo, David Pownall's new play about the inner doubts of the greatest English symphonist, is directed by Di Trevis, with Alec McCowen in the title role. Now in previews in the Swan Theatre, opens next Tues. The second new production is Shakespeare's glittering comedy Love's Labour Lost, directed by Ian Judge in the Royal Shakespeare Theatre. Previews from tonight, opens next Wed (0789-295623)

■ VENICE

The next opera production at the Fenice is Der Rosenkavalier, opening on Oct 31 with a cast led by Felicity Lott, Anne Sophie von Otter, Artur Korn and Barbara Bonney (041-521 0161)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

A bite at an American giant

BOOK REVIEW

International Business Machines has been crippled by arrogance, stupidity and a "gridlock culture", writes Paul Carroll. The computer giant, long revered as a model of American enterprise, has been brought to its knees by managers so intent upon outmanoeuvring each other that they lost touch with the realities of the market-place, he maintains.

BIG BLUES – THE UNMAKING OF IBM
By Paul Carroll
Crown Publishers Inc, 375 pages, $24

In *Big Blues, the Unmaking of IBM*, Carroll portrays IBM at its worst, skimming over its achievements and emphasising its supposed mistakes. He ridicules individual IBM executives and dismisses them collectively: IBM is, he writes, "like a music-publishing company run by deaf people".

The book is so one-sided that, as one independent industry observer says: "The reader is left with the impression that the only good IBMer is a dead IBMer . . . the rest are either bad or ugly or stupid."

Carroll's perspective has been shaped heavily by IBM's critics. He cites in his acknowledgments "senior people at Microsoft", IBM's rival in the personal computer software market, as well as former IBM employees, many of them embittered at losing their jobs. IBM refused to co-operate with Carroll.

Thus, *Big Blues* provides, for example, accounts of meetings between Bill Gates, Microsoft chairman and chief executive, and IBM executives. The IBM executives are portrayed as clumsy, whereas Gates, seemingly, can do little wrong.

Not that IBM does not deserve criticism. Even within the company, few would now deny that its cumbersome management structure has hampered its ability to adapt to changing market conditions. Unfortunately, however, the author never properly explains the underlying causes of IBM's falling revenues, losses and high debt charges.

The roots of IBM's problems lie in the developments in computer technology that have slashed computer prices and lowered makers' margins.

The PC was initially a boon for IBM, boosting its revenues and profits to record levels by the mid-1980s. However, as low-cost PCs began to account for an increasingly large portion of most companies' spending on information technology, growth in the more profitable mainframe sector – IBM's core business – slowed.

PCs seldom directly replace mainframes, but by performing tasks that might otherwise have required mainframe upgrades, they, in effect, limit growth in the mainframe market, intensifying competition and putting pressure on prices. The average price of an IBM mainframe has declined by more than 40 per cent over the past 12 months, according to industry observers. This, more than any other factor, accounts for the company's decline in operating earnings.

Carroll, however, concentrates on IBM's relatively lack-lustre performance in the PC market – and plays down the problems of adjusting to the decline in mainframe profits. His theme is the "rise and fall of the (IBM) PC and the rise and fall of IBM that went along with it".

IBM's biggest failing has been to "squander its opportunities to turn the PC, or anything else, into a business that would wax as mainframes waned", he writes. If IBM had held on to a larger share of the PC market, its PC operations could be more profitable, compensating for declining mainframe profits, he implies.

This might have been achieved, Carroll asserts, if IBM had only had the prescience not to allow Microsoft to license the DOS PC operating system program to other PC makers. This mistake, he reckons, has cost IBM more than $15bn a year in revenues by giving hundreds of companies an opportunity to sell "clones" of its PCs that can run the same software.

But the flaw in his argument is to assume that if Microsoft's MS-DOS had not become an industry-wide software standard, IBM would have been able to dominate the market and reap the rewards. Many would argue that the growth of the PC sector is in large part due to the availability of thousands of applications programs that can run on PCs from many different manufacturers. Apple Computer, the one PC maker that has stuck with its own software – the strategy that Carroll would have had IBM follow – trails IBM in terms of market share.

Still, this argument provides Carroll with an excuse to devote much of his book to describing how a "bunch of kids" from Microsoft outwitted the managers of Big Blue.

When the Microsoft-IBM relationship began in 1980, he points out, "IBM had 340,000 employees, $27bn of assets, $26bn of sales and $3.6bn of profits, while Microsoft began the relationship with 32 people and little else. IBM still found a way to lose."

Only in brief reference to the feelings of former IBM president Jack Kuehler, does Carroll allude to the possibility that Microsoft might owe much of its success to its partnership with IBM. Gates and IBM finally parted company last month when their agreement to work together on PC software expired.

Neither is Carroll inclined to dwell on the fact that IBM's PC business is now winning market share from its competitors. IBM PC unit sales are estimated by industry observers to have risen by more than 30 per cent this year.

Yet even if IBM were to triple its PC sales, the problem would remain: its worldwide operations were built to make and sell computers that returned a gross profit margin that is no longer attainable. To remain viable it must cut jobs.

Big Blues throws light on the inner workings of one of the most complex corporate institutions in the world. It also contains an important lesson for all corporate managers: to remain focused on external competitors and not allow internal politics to consume their energies.

Louise Kehoe

ECONOMIC VIEWPOINT

How to cope with the slowdown

By Samuel Brittan

Some recessions are said to be "home-made". But if there is one sure feature of the recent faltering in the British recovery, it is that it has been made abroad. The key factors are the continued decline in the European economies, which constitute Britain's principal export markets, and the slow and hesitant nature of any recovery that may be taking place elsewhere in the world.

No clever manipulation of domestic budgetary or monetary policy will allow Britain to contract out of events in Europe or the wider world, whatever the Euro-sceptics may wish. Meanwhile a simple programme* for European revival has been presented by none other than the international financier, George Soros. His success in speculating against sterling in the face of a wide-open opportunity should not elevate him to the status of prophet; nor should it cause his policy proposals to be sniffily brushed aside. They deserve a hearing on their merits.

His first suggestion is that the French authorities should take advantage of the disappearance of the narrow ERM band to reduce short-term interest rates now by about 3 percentage points. This should preferably be done in conjunction with other members of the ERM and with a negotiated extension to two years of the French debt to the Bundesbank, arising out of this summer's support operations.

The Bundesbank proposed wider ERM margins several months before the crisis

A reduction in French interest rates has been proposed frequently enough. But a newer element is provided by the second Soros suggestion that the resulting appreciation of the D-Mark, and the consequent weakening of the German economy, would hasten the reduction in German interest rates. The net result would be a European recovery, in which Germany would eventually join, and in the end a pattern of exchange rates not far different from that prevailing this summer before the collapse of the narrow ERM band.

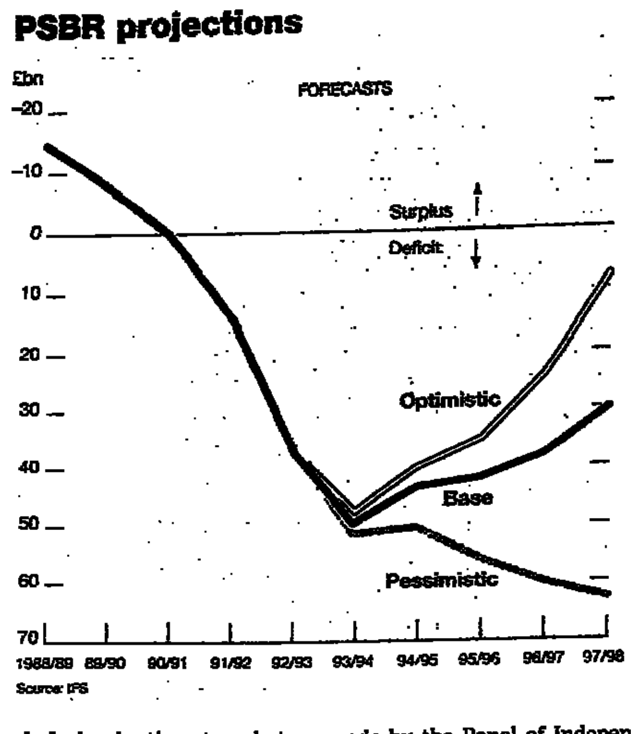
It is however the financier's third proposal that differentiates his package from the common run. This is that after about two years some countries would be able to move to a common currency directly, without reinstituting the narrow bands. Thus the present vicious circle of European disintegration could be turned round into a virtuous one.

What is not generally known is that the early stages, at least, of something close to the Soros package very nearly got under way earlier this year. For at the meetings of the EC Committee of Central Bank Governors, called to consider the "fault lines" in the ERM after Britain's departure, the Bundesbank proposed a temporary widening of the ERM margins. Because the proposals were given the thumbs down by partner countries, Bundesbank representatives never got as far as proposing a specific range. But what they had in mind was something like a 6 to 10 per cent margin on either side of the central parity. This would have been enough to give France and other countries much more room for manoeuvre on interest rates, without destroying the medium-term credibility of the ERM.

It was because of the rejection of this proposal that the EC Central Bankers' Committee, in common with the Monetary Committee, issued a thin report, suggesting no more than minimum changes in the ERM and implying that everything would have been all right if the UK had joined at an appropriate exchange rate and kept to the rules of the game.

German representatives had another go during the fateful weekend meeting of July 31 and August 1, called in response to the tidal wave of speculation that had hit the French franc. As is known, they proposed a temporary floating of the D-Mark, while allowing the rest of the ERM to continue. The Netherlands announced that it would stay with the D-Mark and Belgium threatened to do the same after objecting to the German proposal. What is not so well known is that almost every other ERM member, including countries such as Denmark and Ireland, threatened to stick with the D-Mark. In that case the French franc would have been left to depreciate alone, precisely the result that the French prime minister, Edouard Balladur, was determined to avoid because of his no-devaluation pledge.

PSBR projections



Source: IFS

A tax suggestion

Meanwhile the British chancellor has to consider what to do in the face of a large budget deficit, which he cannot rely on righting itself, and in the face of a fragile UK recovery. The first consideration points to financial tightening and the second to loosening, or at least doing nothing.

Two remarkably similar attempts have been made to square this circle, one by the Institute for Fiscal Studies in its Green Budget prepared in collaboration with Goldman Sachs. The other has been made by the Panel of Independent Forecasters established by the Treasury.

In the recent past, fiscal policy has been less potent than expected and monetary policy more potent. But that does not justify writing off fiscal policy altogether. The Green Budget authors do not support hysterical talk about an immediate fiscal crisis. Nor, to be more practical, does the 1½ percentage point reduction in gilt-edged yields so far this year suggest such a crisis.

Nevertheless if the debt ratio is to stabilise at just over 50 per cent of GNP, which it is likely to reach by the late 1990s, then the Green Budget estimates that the PSBR will have to come down from its present 8 per cent of GNP to around 2¼ per cent. (This assumes that inflation is also 2½ per cent.) A similar target estimate is reached if the object is to stabilise the net assets of the public sector.

The Green Budget authors suggest that a cumulative tax-increasing package of £6bn should be phased in over the period up to 1996-97, but that only, say, £1bn of tax increases should be announced for next year. They also recommend that there should be even more interest rate cuts if fiscal tightening restrains the economy.

Several reservations must be registered. First, interest rates cannot be determined irrespective of what is happening in other countries. The British have already had the one-off depreciation recommended for France by Soros. Second, Norman Lamont already used to the maximum the Augustinian strategy of "fiscal virtue but not yet", to the tune of £10bn per annum of tax increases in the pipeline for the next two years. Further doses would deepen consumer pessimism.

Third, the authors try too hard to be shadow political strategists for the Tories (irrespective of their personal political views). Hence their reluctance to leave tax decisions for later Budgets nearer an election. Their main job should, however, be to lay out appropriate economic policies before going on to discuss how politics may distort policies. Fourth, the authors too quickly dismiss the question of spending reforms. Here again the authors try too hard to be politically realistic. But even if worthwhile reforms cannot take effect in this parliament, early legislation would cast a shadow beforehand.

In fact, a modest amendment to the Green Budget proposals would transform them into common sense. The Green Budget argues for phasing out mortgage interest relief and restricting the value of the main personal allowance to the 20 per cent income tax starting rate. Such changes have the advantage of not increasing the most conspicuous marginal tax rates and – unlike VAT widening – of not having a knock-on effect on the RPI.

If these changes are desirable for their own sake, why not announce a definite timetable for them? But instead of presenting them as net tax increases, the chancellor should leave open – and not just in the small print – the possibility of offsetting tax reductions if the economic situation either permits or demands such cuts. Of course, UK mainstream economists turn pale at the mention of tax cuts, even as part of a neutral package. Another flavour should be given to the debate.

* *Prospect for European Disintegration. Soros Foundation, 7th Avenue, New York, NY 10106*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

EC research leads to practical spin-offs

From Dr Peter Dzwig.

Sir, I would like to agree with Professor Whitty's letter (October 20) and point out that not only have the Alvey, Esprit, Race and other programmes had valuable results, they have been of benefit to at least a part of the FT's constituency: the financial community.

Many in the community are becoming aware of the implications for the markets of parallel processing (much technology for which was generated through the above programmes) and are investigating it. Indeed, almost three years ago the FT carried a piece on the application of parallel computing in the financial markets: a system installed at J P Morgan in London (Technology, November 2 1990). The computer system underlying it was a commercially available product derived from the Esprit programme.

Since the time of that article, parallel processing has developed somewhat, not least with the entry of leading players such as ICL, Digital, IBM and Tandem. The areas of application have also become more diverse, with a growing number in general commerce.

This centre is an example of that. While it devotes a large part of its effort towards the problems of the financial community, it is also working in areas as various as planning and scheduling, marketing, management information systems, architecture and engineering. These projects, which are being carried out in close co-operation with industry, have practical, business-oriented goals. Nonetheless, many may ultimately rely for their technological underpinnings, whether hardware or software, on products derived, directly or indirectly, from the results of the above programmes.

Peter Dzwig,
director,
The London Parallel Applications Centre,
Queen Mary and Westfield College,
Mile End Road,
London E1 4NS

Corporate capital creates adverse impact on Names

From Mr Alan J Leboff.

Sir, In spite of my children and I having lost a fortune at Lloyd's, and ignoring the pleas of the chairmen of a number of action groups, we submitted our proxies in favour of the chairman at Wednesday's meeting (and therefore in support of the introduction of corporate capital) on the basis of the many communications we have received assuring us that corporate capital is essential *for the health and future* of Lloyd's and that it will *in no way* adversely affect the interests of existing Names.

On Wednesday morning, I received by post from my underwriting agents a fuller explanation for the substantial and unanticipated additional cash call they made last week, saying "The cash calls . . . stem from the decision of Lloyd's to discontinue cross lending by Syndicates within the Lloyd's American Trust Fund . . . in anticipation of the arrival of Corporate Capital in 1994."

If asking me to pay yet more money *now* "in anticipation of" corporate capital in 1994 is not being affected adversely, what would be? You may be sure that had Lloyd's made the choice plain "vote for corporate capital and it will cost you", we would have voted against. How do we get it across to those in power there is a limit to the money Names can find and *that* should be their first priority, not the shape in which Lloyd's will enter the 21st century?

Alan J Leboff,
Andelain,
South Park Crescent,
Gerrards Cross,
Buckinghamshire SL9 8HJ

Why regulation often fails

From Mr P H Twyman.

Sir, No doubt inadvertently, the letter from Mrs Celia Hampton, editor of Business Law Brief (October 16), neatly illustrates the irrelevance of many regulations and the desirability of cutting red tape.

She says that many people are unaware of the risks of using the same knife to cut raw and cooked meats and that the regulations aim to stop an outbreak of food poisoning. However, if people are ignorant, no amount of regulation will solve the problem.

A much better approach would be a public information campaign which would probably render much of the excessive environmental health legislation completely unnecessary.

Unfortunately, the automatic reaction of many people to a problem is to devise a regulation which, it is hoped, will deal with the problem. Until the government devises systems to overcome this automatic tendency, its deregulation initiative is bound to fall short of its objectives.

P H Twyman,
Political Strategy,
11 Finson Road,
London SE5 9AX

Brunei debts about to be settled

From Mr Jaini Abdullah.

Sir, Your article headed "Brunei default on debts alleged" (October 20) fails to highlight the fact that this matter concerning just £4,000 is within days of being settled.

While there can be no adequate excuse for some of the delays which have occurred, it is not true to say that our promissory notes on behalf of students are "worthless". We are unaware of any "other debts in the United Kingdom" which remain unsettled.

Jaini Abdullah,
first secretary,
High Commission of Brunei Darussalam,
19 Belgrave Square,
London SW1X 8PG

Cynicism could obscure important debate on internal controls

From Mr Michael Chamberlain.

Sir, The unjustified cynicism of Mr George Lapsley and Mr G M Simon (Letters, October 8 and 15 respectively) about the reasons underlying the recent publication of draft guidance on internal control threatens to obscure what promises to be an important debate in the Financial Times.

First, the working group on internal control is not "the working party of the institute". It comprises individuals put forward by the 'hundred group of finance directors' and the English and Scottish Institutes of Chartered Accountants. Only two of its six members are in practice, the others are directors.

The views expressed are those of the working group and do not, at this stage of the consultation process, represent the considered views of any other body.

Second, the working group was set up at the request of the Cadbury Committee itself which had highlighted the importance of a framework of effective accountability; the committee had also recognised that considerable work was required not only to develop a set of criteria for assessing the effectiveness of internal control systems, but also to provide guidance on the form in which directors should report.

As noted in your Leader ("Tightening up internal control", October 5), such matters produce a "catnip" effect on accountants who have traditionally found themselves made responsible for these matters.

Third, the draft offers guidance to the directors of listed companies and does not seek to impose additional audit requirements.

Fourth, the draft is consultative. Comments received by the deadline of February 28 1994, including we hope from Messrs Lapsley and Simon, will be considered by the group and will be either incorporated or noted in its final response to the Cadbury Committee.

It will be up to the Cadbury Committee to decide how the response should be used.

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FINANCIAL TIMES

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Thursday October 21 1993

A less easy partnership

GERMAN REUNIFICATION took place in 1990 after extensive negotiations between Bonn and its Nato and EC allies on the foreign policy implications of a larger Germany. On the economic aspects of bringing together Germany's disparate parts, for instance over the terms of the D-Mark's entry to the east in July 1990, there was little or no consultation. This may have appeared a plausible course at the time, but it now looks a miscalculation. Bonn's policy errors during the past three years have increased the already considerable economic problems of integrating east Germany, as well as the length of time they will persist.

For Germany's EC partners, this has two sets of consequences. First, unification-induced inflationary pressures, by forcing the Bundesbank to maintain high short-term interest rates that were then transmitted abroad, have contributed significantly to the European recession and to 1992-93 currency unrest.

Second, the need to finance large fiscal transfers to support east German living standards has become a factor behind wider strains in Germany's relationship with the rest of the EC. Because of the size of the east-west German economic gap, these payments – currently equivalent to 5 per cent of German gross domestic product – are likely to persist at least until the end of the decade. The Community thus stands merely at the beginning of its task of adjusting to the emergence of a Germany which has become bigger, poorer and more polarised.

German scepticism

One particular difficulty centres on the scepticism of the German public about the wisdom of exchanging the D-Mark for a single currency. Doubts are growing whether Germany itself will be able to fulfil the stability-oriented criteria designed to determine which countries could participate in economic and monetary union. Mr Otmar Issing, a leading member of the Bundesbank directorate, last week gave the first official warning that overall German public sector debt could "at least temporarily" breach the 60 per cent Emu target laid down in the Maastricht treaty.

There must be longer-term doubts, too, about the sustainability of EC budget policies that depend on German willingness to remain by far the main contributor to Community funds. Germany's net payments to the EC last year – Ecu9bn – were three times those of the next highest donor, Britain. Yet, as a result of unification, Germany has slipped from second to seventh place in EC members' GDP per head.

EC structural fund payments to east Germany, now among the Community's poorest regions, are expected at least to double next year to more than Ecu2bn. More will probably have to be done to correct a growing belief in German public opinion – most acute in east Germany – that Community membership brings Germany more disadvantages than benefits.

Community compliance

Extra funds for east Germany are, however, unlikely to be forthcoming unless Germany maintains high standards of compliance with Community legislation. One disturbing signal at the end of last week was the Bonn government's defiance of EC limits on land which can be sown with cereals in eastern Germany.

In the past, German agriculture ministers have negotiated special arrangements – consistent with Community law – to offset cuts in EC payments to farmers with national subsidies. The attempt to put the special predicament of east German farmers above the requirements of reforming the Common Agricultural Policy is, however, a more serious matter. It undermines attempts to persuade the Paris government to agree curbs in agriculture support that are crucial for the talks on the General Agreement on Tariffs and Trade.

Additionally, the spectacle of the Community's chief erstwhile proponent of fiscal discipline inciting its farmers to break EC law may strengthen the suspicion that, in its dealings with the Community, Bonn is practising a form of double language.

A strong community requires a self-confident Germany capable of setting the EC agenda. To master its post-unity difficulties, Germany will need solidarity from its partners. This solidarity may be found wanting unless Germany lives up to its previous reputation for solidity and reliability.

Right lines for rail privatisation

THE parliamentary arguments over the privatisation of British Rail look set to run until the very end of the legislative process. Not until the royal assent has been given to the bill can the government be certain of the final shape of its plans. Yet the broad outlines of the strategy for privatising Britain's railways are now clear.

At the heart of the approach is the separation of the railway infrastructure from the running of trains. A new company, Railtrack, will own the rail network – track, signalling and most of the stations. Passenger trains will be run by 25 operating companies, each paying charges for using the track. BR's freight operations, to be divided into three companies and privatised, will also pay for track use. A rail regulator will ensure free competition, monitor safety arrangements and preserve network benefits such as through ticketing and railcards.

This structure brings many benefits, including the creation of separate businesses focused on particular functions. Railtrack, for example, can concentrate on the rail infrastructure which has so often been neglected under state ownership. BR's maintenance operations are to be privatised as 14 competing companies which will bid for contracts. Significant efficiency savings on the infrastructure operation should follow, as elsewhere in the public sector where contracting-out has been introduced.

Attractive investment

Sir Bob Horton, chairman of Railtrack, has already expressed a desire to involve private finance in modernising the network. He is also keen to escape from the public sector, with Treasury restrictions on borrowing becoming ever tighter in the current fiscal climate. Like other regulated utilities, such as the national grid, Railtrack is expected to prove an attractive investment for the market. It should be a candidate for early privatisation.

Passenger train operations will gradually be put out to tender, normally for five- or seven-year franchises. Profitable franchises will go to the highest bidder; unprofitable ones to the bidder requiring the lowest subsidy. Here, too, competitive bidding should provide an incentive to reduce costs and make the best use of Treasury subsidies.

If there is a criticism to be made about these plans, it is that they are too timid. Rather than privatising BR, the government is contracting out the management of its operations, and for relatively short periods. Most operators will be reluctant to invest in new rolling stock, for example, since its working life is much longer than the planned franchises. The government has created three new leasing companies to own BR's rolling stock and invest in new equipment. But the quickest way to bring new capital investment in rolling stock would be franchises long enough for operators to write off their investment.

Longer franchises

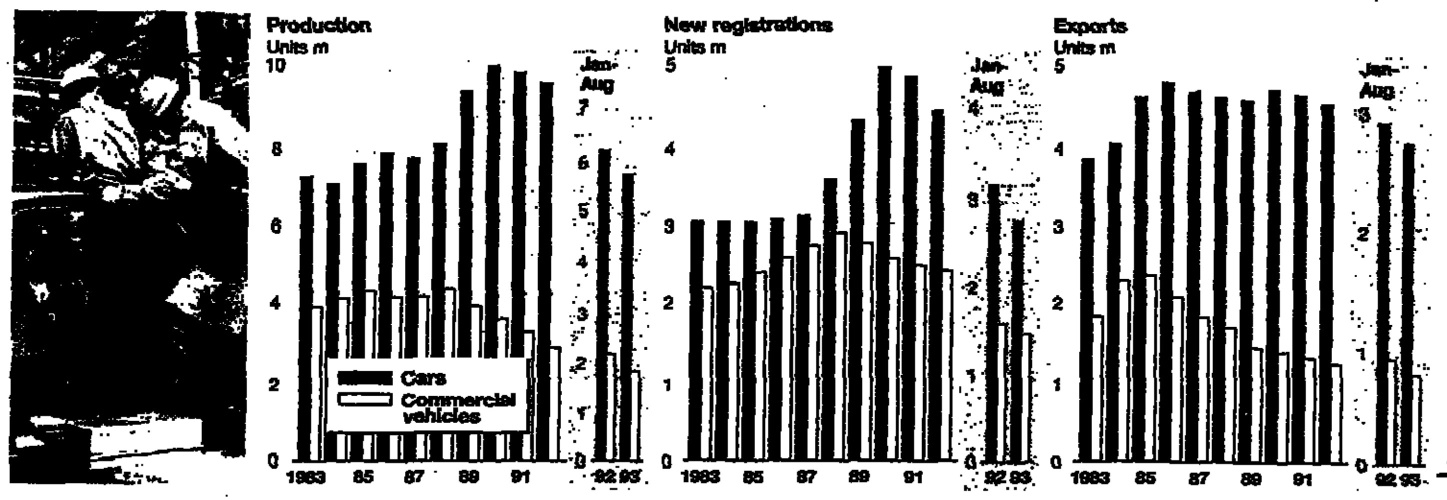
On balance, however, the gradualist approach is to be welcomed. By phasing in franchising initially for shorter periods, experimentation can take place. Once teething troubles have been dealt with, there is nothing in the structure of BR privatisation to prevent longer franchises.

What would not be welcome is the demand of opponents of rail privatisation – including some government backbenchers – to allow BR to compete for franchises. This could lead to BR winning many – if not most – of the franchises, cross-subsidising its bids to fend off competition. It would also deter management buy-outs, since managers would be understandably unwilling to compete with their own employer.

If BR is allowed to bid, it will not be the end of privatisation – vigorous regulation could ensure that BR finds it hard to abuse its dominant market position. And the structure is sufficiently robust to allow further legislative change at a later stage when the fears of those who oppose privatisation can be shown to be illusory. But with management teams already planning their bids in the first round of franchises, it would be damaging if the only group of people discouraged from bidding were the managers who have the greatest experience in running the railways.

This is the second of two editorials on rail privatisation. The first appeared on October 15

Japan's automobile industry: forced to swerve



Industry profitability
Pre-tax profits (year-on-year % change)

	Component suppliers	Vehicle makers	Dealers
Number of companies	20	11	1,700
1990-91	+3	-34	-37
1991-92	-26	-48	-43
1992-93	+1	-35	-30
1993-94 forecast	-28	-63	-25

Source: Lehman Brothers — Year to March 31

Source: Japan Automobile Manufacturers Association

Japan's auto industry is ill-prepared for such tough times, writes **Kevin Done**

Juggernaut veers out of fast lane

Japanese carmakers are on the rack and the screws are still being tightened. After decades of virtually unbroken growth, vehicle production and sales in Japan are falling for an unprecedented third year in succession.

While their US and European rivals are only too used to the cycles of feast and famine in world auto markets, the Japanese companies are having to learn to cope for the first time with a prolonged recession, and they are ill-prepared. During the overheated years of the bubble economy at the end of the 1980s, the Japanese over-indulged with an excess of new models and features. Ironically, the masters of lean production have put on weight, and they are learning that a forced diet is neither easy nor painless.

Tomorrow Japan officially opens the doors of the biennial Tokyo motor show. Behind the scenes, the mood has changed significantly from the self-confident celebrations of 1991 and 1989, when the formidable array of new concept and production cars unveiled by Japanese producers threatened to engulf rivals from the US and Europe, prompting one visitor to call the 1989 show "Apocalypse, Wow!".

Most of Japan's 11 vehicle makers are currently operating at a loss or, at best, around break-even in their car and commercial vehicle operations, says Mr Koji Endo, a leading automotive analyst at Lehman Brothers, the investment bank, in Tokyo. The only producers that are still avoiding the spreading stain of red ink are Mitsubishi Motors and Suzuki. Honda is spared only by the strength of its motorcycle and parts businesses – its car operations are also in loss, he says.

Even Toyota, by far the strongest Japanese carmaker, is expected to fall into an operating loss for the first time in its history, in the six months to December, although its strong financial earnings will probably protect it from a net loss.

Japan, the apparently unstoppable juggernaut of the world auto industry, has been forced off the road.

For three decades Japanese production rose, from fewer than 500,000 vehicles in 1960 to 13.5m in 1990. The industry has survived previous world recessions with barely a blip. If the protected domestic market weakened, the heat was turned up in export markets.

But this time, Japanese vehicle makers are facing a challenge of a different order. The length of the downturn in the domestic market is without equal. The old remedy of exporting their way out of trouble is not available, with many foreign markets also weak or deep in recession.

Their competitiveness abroad has been battered by a savage appreciation in the value of the yen – of about 20 per cent against the US dollar this year alone. The era of cheap finance raised on Japan's stock and bond markets in the 1980s, which fuelled earlier growth, is past, but profit and loss accounts are now sagging under the hangover of depreciation from over-ambitious capital investments decided in the bubble economy years.

The industry is suffering from serious overcapacity and a growing surplus of labour. It is staring at the unpalatable task of closing plants and shedding jobs. "The Japanese automotive industry will go through a very painful period of restructuring," says Mr Yoshikazu Kawana, an executive managing director of Nissan, Japan's second largest carmaker and one of the world's top five, which is now facing its second successive year of heavy losses.

"We have always lived in a time of growth," he explains. "Now we are having to build a business structure without depending on an expansion in volume, without depending on growth. This concept has not been thought of in the past by Japanese industry."

Japanese carmakers apparently can see no end to the current decline. "For the last three years market forecasters have been saying it would get better in six months," says Mr Nobuhiko Kawamoto, chief executive of Honda. But new car sales fell by 13 per cent in the past two years, and domestic registrations dropped a further 5.8 per cent, year-on-year, in the first nine months of 1993.

There is little help to be gained from foreign markets – apart from in south-east Asia – in the face of the twin barriers of recession and trade conflicts. Vehicle export volumes have been in steady decline since 1985 – a trend that had been anticipated, as Japanese vehicle makers built up a firm foreign production base, with output abroad jumping from 600,000 vehicles in 1986 to almost 1.9m in 1992. In the second half of the 1980s the drop in exports was more than offset by the surge in domestic demand, but the Japanese motor industry miscalculated. The home market was not expected to go into free fall, and now the export safety valve is closed off.

Europe has seen new car sales fall 16 per cent in the first nine months this year, and the European Community has forced a drastic cut in Japanese shipments to the EC under the present system of "voluntary" monitoring of Japanese direct vehicle exports.

In North America demand may be emerging in fragile fashion from recession, but unlike in previous decades there are no easy pickings. The US domestic industry is rejuvenated. After a string of heavy losses, the big three producers, Chrysler, Ford and General Motors, earned net profits of $2.3bn in the second quarter of this year alone.

The appreciation of the yen is forcing Japanese car producers to raise prices much more rapidly than their US rivals, undermining their competitiveness. They are losing market share – from 25.7 per cent of the US car and light truck market in 1991 to 23.3 per cent in the first nine months this year. Symbolically, at the end of 1992, the Ford Taurus displaced the Honda Accord as best-selling car in the US.

The task of adjusting to the appreciation of the yen is not new, but the industry has been taken by surprise at the rapidity of the rise this year. Toyota calculates that its profits fall by close to Y10bn (£62.5m) for every Y1 rise against the US dollar. "The problem is not the level of the yen appreciation but the speed," says Mr Terukazu Inoue, Toyota managing director for product planning.

Nissan faces one of the most serious restructuring challenges. It is suffering heavy losses and high overcapacity in Japan, just as it is in the process of moving further tranches of production abroad.

Mr Kawana of Nissan says, however, that all producers will have to take the same actions sooner or later to reduce costs, lengthen model life cycles, lower employment, and close some plants. Other steps would involve:

- use of more common components in different model ranges. At Honda 60 per cent (by value) of the components of one of its most recent new models, the Domani, are taken from other existing ranges;
- reducing the number of different model variants. At Nissan one model was offered with 87 different varieties of steering wheel alone. It only needs 10, says Mr Kawana;
- increasing co-operation between vehicle makers. Loss-making Isuzu has abandoned making saloon cars. Instead, in Japan it will purchase cars from Honda for sale under its own badge. In return Honda is buying four-wheel drive leisure/utility vehicles from Isuzu for sale under the Honda badge. Nissan and Mazda are swapping some light commercial vehicles.

Many of today's problems stem from the Japanese motor industry's original belief in its own propaganda about its lean production and development systems. "We tried to meet too many customer needs, we started developing too many models in too small volumes," says Mr Kawana. "Now we must eliminate waste in the product development process and slim down."

Nissan calculates that it has an overcapacity of 400,000-500,000 vehicles a year in Japan. It announced that it would be forced to close one of its most famous plants, Zama near Tokyo, in 1995. Closures were previously unheard of. "The auto industry had always enjoyed growth," says Mr Kawana. "To realise the industry had come to such a turning point was a shock... That was just the start."

In three years from 1993 to 1995 Nissan is cutting its workforce in Japan by 5,000 to 48,000. Honda is also cutting 10 per cent of its assembly line workers over five years; it has halved output on one assembly line; similar action could follow on a second; and it is transferring surplus car workers to its healthier motorcycle operations.

Companies are carrying surplus labour because of Japan's system – until now – of life-time employment. "It is becoming an obstacle hindering the slimming down [of the industry]. This is becoming a crisis now," says Mr Kawana.

If the currency problems persist, Honda will have to shift more production abroad in the long term, admits Mr Kawamoto of Honda, "but we also have to secure employment here. It is a sensitive matter... The situation is still unpredictable, but we must prepare. In the longer term we have to reduce production in Japan. We are losing our power to sell from Japan."

Established management approaches are being overturned. The need to cut costs has forced the setting of "simple, clear, speedy targets", says Mr Kawamoto. "We are having to do this from the top down. It is very different from the traditional bottom-up Japanese systems."

Japanese carmakers are working feverishly towards meeting the targets they have set themselves. Their rivals in America and Europe, which have suffered the onslaught from Japan for so long, will gloat at their peril over Japan's present woes. Japanese carmakers' underlying productivity has still not been matched elsewhere, and the machine should emerge leaner and fitter from the present trials. It is making the task of restructuring the European motor industry even more awesome.

Trimmed to the bone

Michiyo Nakamoto on carmakers' efforts to curb costs

Teams of Toyota engineers have recently been visiting the company's components suppliers in Japan more frequently than usual. Their visits are part of a bold attempt to reduce manufacturing costs by at least Y100bn (£625m) for the second year running.

The "value analysis" initiative is being pursued energetically by Toyota and its Japanese competitors: they are scrutinising the costs of car manufacturing down to the smallest detail in the search for savings. A similar exercise called "value engineering" is also under way for new models that are still in the design stage.

Companies are looking for savings over a short time scale. "It normally takes several years to cut costs by 20 per cent to meet the 20 per cent rise in the yen, and we have to do that in a year," says Mr Takashi Hamaguchi, deputy general manager of purchasing at Nissan.

"Suggestions on how to reduce costs have been made by everyone. There was even a suggestion to do away with the vanity mirror," says Mr Goro Itoh, general manager of the cost planning department at Toyota.

Other suggestions which have been adopted are already bringing savings:

- By moving an electric wire harness that runs beneath the floor of one model to the side and bending it slightly, Nissan was able to reduce the overall size of the bracket that holds the harness down, thereby reducing costs by Y20 for each car.
- Toyota reduced the curve in the windscreen of its best-selling Corolla model with a saving of Y600 a car. It also stopped covering the "side members" – holes at the bottom of the car body that are designed to reduce overall weight – with rubber covers each costing Y4.

Such detailed examination of where cost cuts can be made has resulted in Toyota introducing some 1,600 changes on the Japanese version of its Carina family car. Many ideas have come from components suppliers, all of which have been asked by Toyota to review their production costs.

"The main cost reductions will come from our suppliers, which make up 80 per cent of our costs," says Mr Nobuhiko Kawamoto, Honda chief executive.

In an effort to contain the development costs of new models, Honda has been talking to its components suppliers earlier in the design process. The exercise has clearly paid off: Honda was able to cut the capital spending needed for developing its recently launched new generation Honda Accord by 50 per cent compared with its original estimates.

OBSERVER

High-wire double act?

■ It has been a good week for North American executives who supposedly lost out in the John Akers/Lou Gerstner succession at IBM. First John Sculley, one of those tipped for the top at Big Blue earlier this year, jumped from Apple Computer to Spectrum. Though others think it a loss-making minnow, he claims not to have been so excited by anything in a decade.

Now Paul Stern, an ex-IBM man who seemingly made himself available for the job at his former stable by resigning as chief executive of Northern Telecom two days after Akers went, has pitched up at Forstmann Little & Co. A leading management buy-out specialist, the outfit seems to be in vogue with high-wire telecoms types refocusing their careers.

Welcomed aboard as a special limited partner, he joins Daniel Akerson, 44, who made it straight to general partner in August when he resigned as MCI's president after less than a year on the job.

A 54-year-old Czech-born American, who has never denied an "obsession" with getting to the top, Stern left the Canadian telephone equipment supplier miffed that his fellow directors had gone over his head in appointing Jean Monty as president.

Akerson, meanwhile, maintained he had been lured by the opportunity to lead General Instrument, controlled by Forstmann since 1989, into the world of interactive media. Others reckoned that he had seen his path to the top blocked by Bert Roberts, MCI's 51-year-old chief.

Let's hope Forstmann's $2bn war chest is big enough for both men to make their mark without stepping on each other's toes.

Cosy compound

■ Who said there's no such thing as a true corporate merger, only takeovers in disguise? Two years after New York banks Chemical and Manufacturers Hanover agreed a union of equals (even if the Manny Hanny name went), this week's senior management reshuffle continues to reflect an unusual degree of cosiness.

Walter Shipley, who headed Chemical before the merger, steps up from president to become chairman and chief executive at the end of the year on the retirement of John McGillicuddy (previous boss of Manufacturers Hanover). Preserving the symmetry, the new president is former Manny Hanny retail banking head, 52-year-old Edward Miller.

Miller was chosen over William Harrison, 50, a former Chemical man and now head of corporate and institutional banking. But do not assume Miller automatically becomes top dog one day. Shipley,

'Let's make swords into ploughshares then slap VAT on them'

who deems himself a "young 57", warns that it is too early to talk of succession. Also, Harrison's position in the triumvirate is deftly cemented by his inclusion in the inner-most cabinet, known as the Office of the Chairman.

Sage advice

■ The CBI's Andrew Sentance will now definitely be off by the end of the year to join fellow UK Treasury economic adviser David Currie at the London Business School. So the Treasury is hoping that Sentance will do the decent thing and stand down from its panel of wise men – two people from the same stable would make things a trifle unbalanced.

If Alan Budd, the Treasury's chief economic adviser, is stuck for inspiration in his search for a replacement, he might care to consider the distaff side of the profession. With economists from the consultancy world unrepresented on the panel, Penelope Rowlatt of National Economic Research Associates and Bridget Rosewell of Business Strategies should be on any shortlist, as should Marion Bell of the Royal Bank of Scotland. The latter, who spent two years recently on secondment to Great George Street, even has some insight into how the whole shop works.

Ruth Lea of Mitsubishi Bank could be another candidate – though she might, unjustly, be ruled out for being too argumentative.

Selecting a woman would certainly mesh with the Treasury's campaign to stop the panel being referred to as the seven wise men.

Realms of gold

■ "Were it not for gold and women, there would be no damnation." Elizabethan dramatist Cyril Tourneur might have had a point about gold.

Timothy Green, a former editor of the Illustrated London News, who this week reissues his book, *The World of Gold*, reckons that a good many souls have been lost in the cause of gold smuggling.

But smuggling is not what it was; once, at least half the world's gold output ended up in smugglers' hands. But Green says they are now being driven out of business by many important markets – such as India – liberalising trade to the point where smuggling is becoming pointless.

The nostalgic, though, can still find smugglers who talk of "a jacket" – rather than ounces – of gold, a reference to a stout canvas jacket, with pockets deep enough to fit 100 bars, or 375 ounces.

More practically, today's smuggler usually resorts to internal rather than external concealment; the ideal "biscuit", or bar, now requiring softly curving corners.

Glad hand

■ Having toppled off a pair of Vivienne Westwood's shoes in Paris, British supermodel Naomi Campbell was taking no chances with her platform appearance at the British Fashion Awards on Tuesday night.

This time she strode on to the catwalk hand-in-hand with Brian Pitman, chief executive of Lloyds Bank, which sponsors the awards. Pitman told envious colleagues afterwards that Campbell grasped his hand to steady herself backstage, and then kept hold.

And they say banking is dull.

FINANCIAL TIMES
Thursday October 21 1993

German postwar era 'at an end'

Quentin Peel on rightwing presidential candidate Steffen Heitmann

CHANCELLOR Helmut Kohl's controversial conservative candidate for the German state presidency, Mr Steffen Heitmann, is a passionate believer that Germany's "special role" in the postwar world is finished.

"I believe the postwar era has come to an end," he told the parliamentary caucus of his Christian Democratic Union on Tuesday night. "Germany had a disastrous special role forced upon it after 1945. As far as I am concerned, that time is past."

Quite what he means by the phrase is unclear. Mr Heitmann, who was formally nominated for the presidency last night by the CDU and its Bavarian sister party the Christian Social Union, won resounding applause this week from party colleagues in the Bundestag, the lower house of parliament. Yet it arouses deep foreboding in the world at large, and in particular from people like Mr Ignatz Bubis, leader of the Jewish community in Germany.

Chancellor Kohl and a clear majority of his CDU have closed ranks behind Mr Heitmann, hitherto a rather retiring justice minister in Saxony, to insist he should take over the German presidency from Mr Richard von Weizsäcker next year.


Steffen Heitmann: Germany 'had a disastrous role forced upon it'

At an extraordinary meeting of the parliamentary group this week, his supporters booed and whistled at the respected president of the Bundestag, Mrs Rita Süssmuth, when she questioned his conservative views on the role of women in German society. It was clear that the widespread criticism of the chancellor's choice, in the German media, from the opposition Social Democrats and the minority Free Democratic party in the ruling coalition, has caused the party to dig in for the defence.

Yet what is most remarkable about Mr Heitmann is how unremarkable he is. As he says himself of his role in East Germany before the revolution: "I was never much of a hero." He is rather quiet, rather grey and rather insecure. This was his biggest public appearance so far.

Nonetheless, he spelt out an eight-point programme for the party which won enthusiastic backing. Top of the list was his determination to use the presidency to reinforce east-west integration. Second was his insistence that Germany's special role was over.

"Germany should become a normal people among normal peoples," he said. Germany should also be able to behave like any normal member of the United Nations, sending its troops on peacekeeping missions. He does, however, still make an exception for former Yugoslavia, where the wartime memories are too recent.

He speaks out for European integration and reconciliation with east as well as west, for new moral values in society, a reduced role of the state, more emphasis on marriage and the family, a belief in national culture, protection of the environment and aid to the third world.

Most of his points are well within the mainstream of good Christian Democratic thinking in Germany. But he lacks the sophistication to present it for public consumption.

Mr Heitmann had a tough childhood in Dresden after the war. His father died in a Russian camp in 1945. His mother died of tuberculosis when he was 12.

The election for the next state president is not until May. But all the main political parties are now locked into the struggle with party political candidates.

Editorial Comment, Page 15

Threat to Canadian helicopter deal

By Bernard Simon in Toronto

A UK-ITALIAN consortium and Canadian defence chiefs are preparing a last-ditch effort to dissuade leaders of Canada's Liberal party from cancelling a C$5.8bn (US$4.3bn) helicopter order after Monday's general election.

The Liberals look almost certain to win the election, according to opinion polls. Mr Jean Chrétien, the Liberal leader, has promised during the campaign that an incoming Liberal government's first acts would include cancelling the order for the 50 EH-101 helicopters, which was placed in mid-1992 by the present Progressive Conservative government.

The main contractors for the helicopter are EH Industries, a joint venture between the UK's Westland Group and Agusta of Italy, and Paramax, a Canadian company controlled by Unisys, the US electronics group. EH Industries will supply the basic aircraft, while on-board systems will be provided by Paramax.

The Liberals and other opposition parties have attacked the helicopter order as an extravagance at a time of fiscal austerity. They also question the need in the post-cold war era for an aircraft designed largely for anti-submarine work.

The deal's supporters counter that the Canadian forces urgently need to replace their ageing fleet of Sea King and Labrador helicopters. In addition, the EH-101 order will bring substantial benefits to the Canadian economy, including an estimated 13,000 jobs and sizeable export orders. Contracts worth C$225m have already been placed with 14 domestic companies.

Mr John Major, the UK prime minister, raised the helicopter order with Ms Kim Campbell, Canada's prime minister, at the Group of Seven summit in Tokyo in July. But Ms Campbell announced at the start of the election campaign that she would cut the order from 50 to 43 aircraft.

The UK is expected to renew its expressions of concern once the new government takes office. With a view to domestic political sensitivities, however, the brunt of post-election lobbying is likely to fall on the shoulders of local contractors and the Canadian defence department.

Senior military officers "will want to make sure that Mr Chrétien doesn't make any precipitous announcement at least until he has had a chance to be briefed by the department", one source said.

They are expected to try to persuade him to include the helicopter deal in a wide-ranging defence policy review.

EH Industries and Paramax have already sent information packages to all candidates standing in the election. They have encouraged sub-contractors to point out to local candidates the costs of cancelling the project.

EC leaders likely to back Belgian banker as EMI's first president

By Andrew Hill and Lionel Barber in Brussels

EUROPEAN Community leaders are likely to back Mr Alexandre Lamfalussy next week as a compromise candidate to head the European Monetary Institute, forerunner of a European central bank.

Mr Lamfalussy was nominated for the post by EC central bank governors yesterday, in a move which increases the likelihood of a deal at next week's Brussels summit on the sensitive question of where to site the European central bank. Frankfurt is the leading contender.

But his selection, if confirmed, may disappoint enthusiasts for European monetary union who were looking for a political heavyweight to give added impetus to the process of economic and monetary integration.

The EMI will prepare for full European economic and monetary union by 1999, strengthening the co-ordination of EC members' monetary policies and supervising all aspects of the development of a single currency.

Mr Lamfalussy, a Belgian, is currently general manager of the Bank for International Settlements, which is owned by 33 central banks. He would hold the office of EMI president for three years initially, beginning on January 1 1994, when the next stage of Emu is due to start. He would not necessarily become president of a European central bank.

The governors' recommendation was announced in a letter from Mr Wim Duisenberg, head of the Dutch central bank and chairman of the EC central bank governors' committee, to Mr Jean-Luc Dehaene, the Belgian prime minister, who will chair next week's summit. Mr Duisenberg was himself a prime candidate for EMI president, but his insistence on retaining the governorship of the Dutch central bank may have ruled him out.

EC leaders will consider the Lamfalussy nomination along with bids by other member states for the location of the EMI and the central bank, as well as lesser institutions, including the European environment and medicines agencies.

BAe talks

Continued from Page 1

UK company is not prepared to let the year-long negotiations with Taiwan drag on further and is expected to take a decision at a board meeting on October 29.

Taiwan is seeking to scrap its original agreements with BAe and renegotiate the entire deal. BAe is also resisting Taiwanese demands for transfers of leading edge technologies and a commitment to invest in a £1bn programme to develop a new regional jet aircraft.

By contrast to Taiwan's fledgling aerospace industry, Indonesia has built up an indigenous aerospace sector through international collaboration.

It already manufactures a turboprop military transport aircraft with civil applications with Casa of Spain which has been exported to Saudi Arabia and South Korea.

THE LEX COLUMN

Goodwill towards Smiths

Some engineering companies may bleat about poor markets, but Smiths Industries has quietly focused on getting its costs in line with its prospects. Nor has consistent performance been bought at the price of future development. Smiths' research and development expenditure is at an all-time high. Strong operational gearing means the company is well placed to profit when the aerospace upturn finally arrives, while its lack of financial gearing and growing medical business mean that the wait should not be too painful.

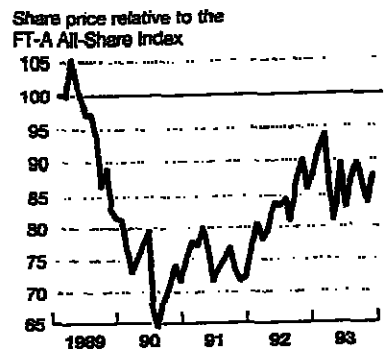
Yet one aspect of accounting does place a potential constraint in the path of the management's development programme. The high-tech medical businesses it has acquired have justified the ratings paid for them, but the £416m goodwill write-offs of recent years have left the company with only £267m of shareholders' funds on the balance sheet.

That is a poor reflection of the underlying strength of Smiths' business. Worse, such accounting conventions serve companies poorly if managements feel inhibited about justified expansion or shareholders misunderstand the situation and the company's rating is damaged. Vested interests have thus far resisted change in the conventions. Perhaps the Accounting Standards Board should now recommend that goodwill is retained on company balance sheets and steadily written off through the profit and loss account. That would also form a useful discipline against overpaying for acquisitions. Investors have had to put up with goodwill write offs and share issues hiding the sins of poor companies. How much more serious if the rules start to damage the prospects of good companies too.

FT-SE Index: 3156.3 (+26.7)

Smiths Industries

Share price relative to the FT-A All-Share Index



Source: FT Graphite

Aegis

The history of Aegis is that sadly familiar tale of a one-time media glamour stock which made some people associated with it seriously wealthy without doing much to enrich outside shareholders. Following its proposed refinancing, existing shareholders will see their current 57 per cent interest in the company diluted to 13 per cent. Preference shareholders, too, are similarly disadvantaged. The directors chiefly responsible for creating the tottering edifice by use of highly-rated paper and deferred considerations have, of course, already departed with substantial pay-offs.

There is no question that Aegis was badly hit by French legislative changes which have shredded the margins of Carat. This made it impossible for Aegis to generate sufficient earnings to sustain its precarious capital structure. With £180m of convertible shares and bank debt to service annually, and some £55m of deferred payments to complete over the next few years, the company desperately needed some form of refinancing. But Aegis's attempts to make a virtue out of the fact that its shareholders will receive better terms than those offered by WPP and Saatchi & Saatchi at the time of their restructurings is hardly comforting. It is rather like arguing it is better to be crushed by a small avalanche than a big one.

Still, not everyone will do so badly out of the deal. Carat's vendors will receive the bulk of the deferred consideration owed to them. But it is Omnicom which could emerge as the ultimate beneficiary. Having helped to underwrite the open offer, it will be perfectly positioned to acquire the rest of Aegis in a few years time – just as the European advertising market returns to health.

Gartmore

Banque Indosuez could hardly have chosen a more auspicious moment to offer 25 per cent of Gartmore. The heady level of world stock markets is inflating the value of funds under management across the industry. For a pension fund manager like Gartmore, that feeds through directly into higher fees. Due to its enviable investment record, Gartmore is also winning new business hand over fist. An especially good investment performance last year will keep the three-year investment record in good shape, even if it now suffers a run of bad luck.

Since Gartmore is only the fourth largest pension fund manager in the UK – and less than one third the size of MAM measured by funds under management – there is room for further growth without the costs associated with a big push in unit trusts or an overseas acquisition. The Goode committee's proposals on pension law reform were not onerous enough to cause a stampede away from defined-benefit pension schemes, so demand for fund managers' services looks secure. If Gartmore can keep its costs under control and maintain a decent investment record, its earnings outlook is rosy.

The worry is that gearing to the level of equity markets cuts both ways. If share prices started to trickle back, it would require a prodigious new business effort to maintain funds under management and fee income. A stock market shake-out would send the sector reeling. Not even a fund manager which called the top for its clients would be immune from that.

Lloyd's insurance

It would be a relief if brinkmanship over the future of Lloyd's came to an end with yesterday's vote in favour of the introduction of corporate capital. The threat of litigation from disaffected Names still has to be resolved. But that is not a mortal threat if a steady supply of corporate capital can now be secured.

Still, agents acting for the proposed Lloyd's investment trusts might find themselves diverted from the task of analysing and negotiating with underwriting syndicates. Another round of legal action against market professionals would do little for Lloyd's attempt to rebuild its image among international investors. Both sides have an interest in reaching a settlement.

Yet it is difficult to see where cash to meet claims for restitution might come from. Providers of corporate capital are unwilling to foot the bill. The proposal that Lloyd's should raise a loan to fund a settlement is unlikely to win support, since interest payments would dilute underwriting returns in future years. Reserves within Lloyd's itself are insufficient to satisfy Names. With corporate capital in the bag, though, Lloyd's management has the stronger hand.

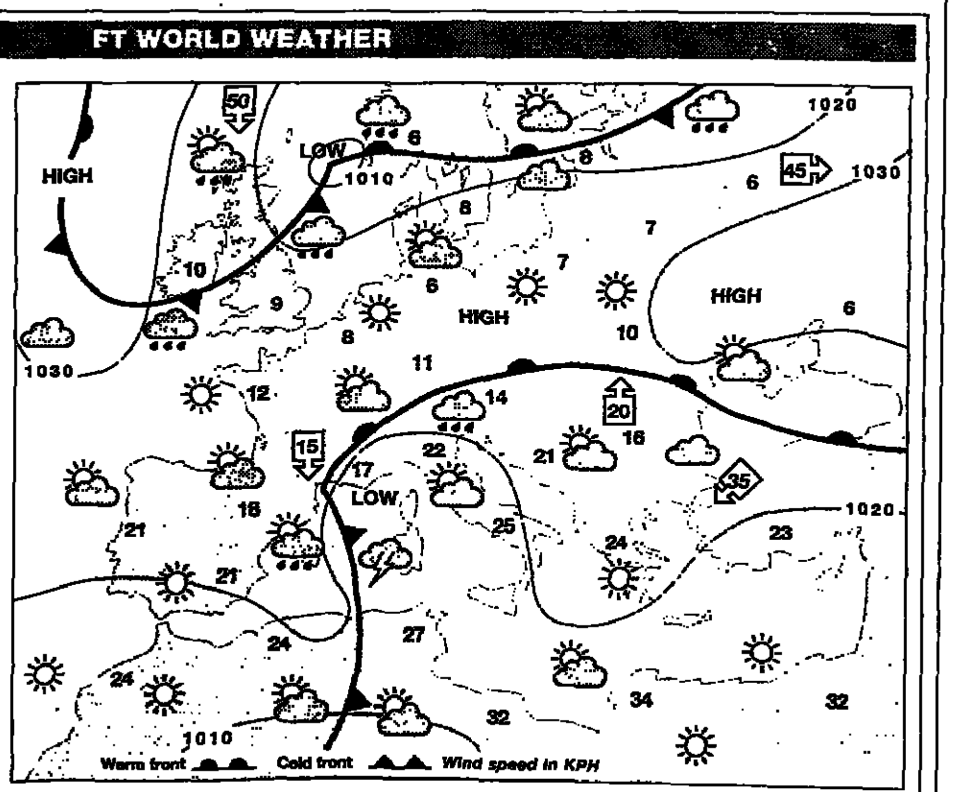
FT WORLD WEATHER

Europe today

A depression near south-west Norway will affect north-west Europe. A frontal system associated with the depression will cross the British Isles with cloud and rain. In the wake of the front, cold and unstable air will spread over the UK bringing showers which will be mixed with sleet and hail over the Highlands later. Over parts of central Europe, high pressure will still produce tranquil though cool conditions with abundant sunshine. However, a frontal zone over the Alps extending to the Black Sea will cause mainly overcast skies with some showers, especially in the Alps. Southern Europe will be mostly sunny and warm, but Spain and the Balearic Isles will have scatttered clouds.

Five-day forecast

High pressure will build again over northern UK and will extend its influence toward the Baltic States. As a result, parts of north and north-west Europe will have a lot of sunshine. Along the north side of the high, milder and more moist air will arrive in Scandinavia, resulting in significantly higher temperatures. Southern Europe, especially Italy and southern France, will have a lot of rain as a result of lingering low pressure areas.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	36
Accra	fair	33
Algiers	fair	24
Amsterdam	rain	7
Athens	sun	24
B. Aires	fair	20
B.ham	rain	9
Bangkok	shower	32
Barcelona	fair	21
Beijing	cloudy	19

Belfast	shower	10
Belgrade	fair	21
Berlin	sun	6
Bermuda	shower	28
Bogota	cloudy	18
Bombay	shower	32
Brussels	cloudy	7
Budapest	shower	13
C.hagen	fair	8
Cairo	sun	35
Cape Town	fair	23
Caracas	cloudy	30

Cardiff	rain	10
Chicago	shower	17
Cologne	fair	8
D' Salaam	fair	30
Dakar	fair	31
Dallas	thund	21
Delhi	sun	34
Dubai	sun	38
Dublin	rain	10
Dubrovnik	fair	24
Edinburgh	shower	10
Faro	sun	24

Frankfurt	fair	10
Geneva	cloudy	13
Gibraltar	sun	22
Glasgow	hail	9
Hamburg	fair	5
Helsinki	cloudy	9
Hong Kong	fair	27
Honolulu	fair	30
Istanbul	fair	21
Jersey	fair	11
Karachi	sun	38
Kuwait	fair	37
L. Angeles	sun	30
Las Palmas	fair	23
Lima	cloudy	21
Lisbon	fair	21
London	fair	9
Lux.bourg	fair	7
Lyon	fair	14
Madeira	fair	22
Madrid	sun	19
Majorca	shower	23

Malta	sun	26
Manchester	shower	9
Manila	thund	30
Melbourne	fair	19
Mexico City	fair	24
Miami	fair	31
Milan	fair	18
Montreal	fair	10
Moscow	fair	7
Munich	fair	12
Nairobi	fair	28
Naples	sun	25
Nassau	fair	31
New York	rain	17
Nice	fair	20
Nicosia	sun	32
Oslo	rain	7
Paris	fair	8
Perth	fair	24
Prague	sun	9
Rangoon	fair	34
Reykjavik	fair	4

Rio	fair	26
Riyadh	fair	34
Rome	sun	24
S. Frsco	sun	22
Seoul	cloudy	21
Singapore	shower	31
Stockholm	rain	8
Strasbourg	fair	11
Sydney	fair	24
Tangier	sun	24
Tel Aviv	sun	36
Tokyo	fair	19
Toronto	shower	10
Tunis	sun	27
Vancouver	rain	14
Venice	shower	19
Vienna	cloudy	12
Warsaw	cloudy	8
Washington	rain	19
Wellington	shower	15
Winnipeg	fair	5
Zurich	fair	12

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday October 21 1993

INSIDE

Burger King reviews advertising account
Burger King, the fast-food restaurant chain, is reviewing its main US advertising account, handled by the New York office of D'Arcy Masius Benton & Bowles since 1989. Burger King, a subsidiary of Grand Metropolitan, has a total advertising budget of $250m. Page 20

Thomson-CSF warns on profits
Thomson-CSF, the French state-controlled defence electronics group, announced a halving in net profits for the first six months and warned that full-year profits would be below those achieved in 1992. Page 18

Planning a Ferruzzi compromise
Foreign bank creditors of the Ferruzzi-Montedison empire must propose a compromise rescue formula acceptable to all parties concerned. If not the administrators will be obliged to initiate bankruptcy proceedings. Page 18

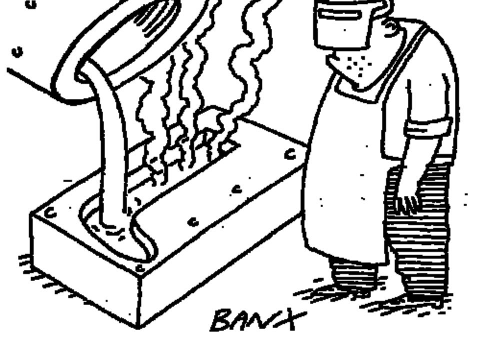
Chinese issue in Hong Kong
Maanshan Iron and Steel has become the largest Chinese state company to issue shares in Hong Kong, following the launch of its HK$3.93bn (US$508m) share offer. Page 21

KOP transfers unit
Kansallis-Osake-Pankki, Finland's leading commercial bank, plans to transfer most of its investment banking operations to a new associated company to be half owned by management. Page 22

Financial group distributes stake
St James's Place Capital, Lord Rothschild's financial services group, is distributing to shareholders its 37.4 per cent holding in RIT Capital Partners, the investment trust managed by J Rothschild Capital Management as well as £32.7m ($48.7m) of cash. Page 23

Gartmore forecasts 64% rise
Gartmore, the investment fund manager, forecast a 64 per cent rise in pro-forma profits to £24.5m ($36.5m) before tax for the 1993 year in its pathfinder prospectus. Page 25

Steel girdles?



Bratsk, the biggest aluminium smelter in the world, is diversifying into the manufacture of socks and tights. The Siberian smelter is compromising with the local town authorities to cut pollution while contining to provide jobs. Page 26

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Berliner Bank	404.5	+	17
Degussa	417	+	11.2
Goldschmidt	587	+	17
PWA	188	+	6
Volkswagen	380.5	+	5.3
Falls			
AEG	158.3	-	3.9

NEW YORK ($)

Rises			
Chemical Bank	41½	+	¾
Compaq	64	+	1¾
Morgan (JP)	73¾	+	1¼
Falls			
American Brnds	33¾	-	⅜
Digital Equipmnt	35⅛	-	1
Philip Morris	51¼	-	1

New York prices at 12:30.

PARIS (FFr)

Rises			
Bancaire Cie	519	+	29Cr
Credit Local Fr	439.5	+	15.5
Falls			
Cap Gemini S	165.1	-	13.4
Club Med	358	-	29
Cred Lyon	695	-	28
Roussel-Uclaf	624	-	22

TOKYO (Yen)

Rises			
Kubota Corp	654	+	19
Nippon Paint	580	+	27
Yamaha Motor	807	+	37
Falls			
Iwatsu Elec	521	-	27
Japan Metals	591	-	22
Showa Sangyo	656	-	22

LONDON (Pence)

Rises			
Alexandra Wkwr	178	+	10
Asda	55½	+	3
Bank Scotland	192	+	6
Billam (J)	289	+	37
Cooper (F)	81	+	7
Gibbs & Dandy	79	+	7
Hazlewood Fds	188	+	8
Multitrust	83	+	8
Norbain Elec	251	+	12
Photo-Me Intl	320	+	25
Porth	14	+	3
Psion	151	+	11
Shaftesbury	114	+	12
Smiths Inds	394	+	39
Virtuality	310	+	21
Falls			
Aegis	21½	-	11
Baldwin	91	-	9
Berry Birch	164	-	11
French Connctn	115	-	12
Gold Greenlees	209	-	10
Jerome (S)	68	-	7
Lec Refrig	213	-	26
Pittencrieff	386	-	18
Tiphook	125	-	7

Compaq net income more than doubles

By Alan Cane in London

COMPAQ Computer, which yesterday reported a sharp increase in profits, is reaping the benefit of its continued emphasis on cost control and product innovation.

The US group is the only large personal computer maker that is consistently profitable and it could soon overtake Apple Computer as world number two after International Business Machines.

Shares in the Texas-based manufacturer rose $2⅛ to $64⅞ before easing to 64¼, on third quarter profits which surpassed most analysts' expectations.

It reported net income of $106.77m for the quarter to September 30, more than double last year's $49.37m. Revenues rose 64 per cent to $1.75bn.

It is the fifth quarter in a row that Compaq has reported record sales. The results are all the more remarkable because the third quarter is traditionally its weakest.

Earnings per share more than doubled to $1.25, fully diluted, compared with 0.61 a year ago.

Mr Eckhard Pfeiffer, chief executive and the principal architect of Compaq's turnround 16 months ago, attributed the results to continued product innovation, an emphasis on manufacturing efficiencies and effective management of distribution channels.

Until the middle of 1992, the company's market share and profitability had been threatened by a strategy of charging a premium price for quality and distributing strictly through approved dealers.

Mr Pfeiffer sought ways of manufacturing a quality product at lower prices and looked for new avenues to market. The ensuing price war seems to have hit Compaq's competitors while markedly improving the company's market share.

Mr Pfeiffer said Compaq was one of the world's most efficient PC producers with revenues of $700,000 per employee. "During the year we increased our strategic investments in product development, marketing, advertising and geographic expansion while successfully cutting operating expenses," he added.

The company had concentrated on broadening its product range and taking steps to avoid conflict in the complex of distributors, dealers and retailers that it uses to market its products.

All geographic regions contributed to the sales growth. Europe and North America grew 37 and 75 per cent respectively although Mr Pfeiffer pointed out that, measured in local currencies, growth in Europe was closer to 70 per cent.

Japan, Latin America and the Pacific Rim all grew at rates in excess of 100 per cent.

For the first nine months, revenues were $4.99bn, up 86 per cent, while net income was $311.4m, up 152 per cent, equivalent to $3.68 a share, fully diluted.

Inventory rose sharply to $1.3bn at September 30 compared with $834m at December 31 last year. Mr Pfeiffer said this was in anticipation of a good fourth quarter, traditionally Compaq's strongest.

UAP up 15% in spite of bank losses

By John Ridding in Paris

MR JEAN Peyrelevade, chairman of Union des Assurances de Paris (UAP), France's largest insurance group, said yesterday the company was on the road to recovery. This was in spite of the depressed conditions which persisted in some of its markets.

His forecast came as the company announced results for the first six months of the year showing net profits of FFr599m ($103.6m), an increase of 15 per cent over the corresponding period in 1992. Mr Peyrelevade said the group was on course for full-year profits of between FFr1.5bn and FFr2bn. In 1992, profits fell 70 per cent to FFr1.08bn.

The recovery in profits should improve the prospects of privatisation for the group, which is one of the 21 publicly owned companies scheduled for sale by the centre-right government of Mr Edouard Balladur. Industry analysts in Paris said it was likely that UAP would be privatised early next year.

UAP's privatisation hopes have also been boosted by the resolution earlier this month of a long-running wrangle with Suez, the French industrial and financial holding company. An agreement between the two groups gave UAP control of Colonia, the German insurer.

The increase in first-half profits was achieved despite an increase in losses at Banque Worms, the group's troubled banking subsidiary. Losses and provisions at the bank amounted to FFr615m compared with FFr221m in the same period in 1992.

UAP said the increased losses from its banking activities reflected the fact that Banque Worms took most of its provisions for 1992 in the second half of that year, while this year they will be concentrated in the first half. Mr Jacques-Henri Gougenheim, chairman of Banque Worms, said the bank's full-year loss for 1993 should be half the FFr1.65bn deficit recorded last year.

UAP's insurance division and the finance and property division both recorded a strong performance. The insurance activities raised profits from FFr739m to FFr949m, while property and finance was up from FFr430m to FFr756m.

The group's insurance turnover rose 8.5 per cent to FFr71.2bn. Premiums in life assurance increased 8.6 per cent to FFr34.9bn, while premiums in accident insurance rose by a similar proportion, to FFr36.3bn.

Sara Webb explains why financial explorers are attracted by emerging markets

Seeking high returns through high adventure

Mr Jim Rogers is not your average tourist. When he rode his BMW motorbike around the world with girlfriend Tabitha, he stopped off at nearly every stock exchange en route to see what he could buy.

His holiday souvenirs included all seven stocks then listed on the Botswana stock exchange.

Mr Rogers, formerly George Soros's business partner, is in one of the fastest growing financial industries: emerging markets. He invests in the debt and equities from far-flung regions.

"Emerging markets are to the 1990s what M&A was to the 1980s," says one expert in the field.

Some – such as Thailand, South Korea and Mexico – have developed so fast they have more-or-less graduated to developed status. Others, such as the tiny stock exchanges of Morocco and Botswana, are of interest to the more adventurous explorers of the investment world.

The high returns available from some of the emerging debt and equity markets are proving a strong lure for institutional and retail funds.

Investors are pouring money into emerging market funds and new issues, hoping to make money in the fast-growing economies of Asia and Latin America. US closed-end mutual funds investing in emerging markets ranging from Brazil to Taiwan have raised a gross total of $3.81bn through new fund launches and rights offerings so far this year – up from $1.24bn in 1992, according to Lipper Analytical Services.

As further testimony to this surge in interest, investment banks have stepped up their recruitment campaigns. Only recently, Morgen Grenfell picked up almost the entire team of emerging market equities staff – sales, trading and research – from James Capel, boosting their headcount from 100 to 120 and complementing their existing clout in the emerging market debt business.

US firms such as Salomon Brothers and Morgan Stanley employ a couple of hundred people in the emerging markets area worldwide, covering both equities and debt.

"Firms like JP Morgan, Salomon Brothers and Morgan Grenfell dominate the emerging markets debt business," says one independent adviser, who adds that the revenue generated from profitable debt dealing has in these cases allowed expansion into the emerging market equity business, a smaller and initially far less profitable area.

Emerging markets bond index % return*

EMBI	26.57
By issuer	
Nigeria	56.54
Brazil	45.08
Philippines	30.61
Venezuela	27.97
Latin-only	25.68
Mexico	14.14

*9 months to end September
Source: JP Morgan Securities

The interest in debt trading stems partly from the decision by countries such as Nigeria, Morocco, Argentina and the Philippines to either reschedule their debt or repackage it in the form of bonds.

In addition, retail and institutional investors can buy debt in eurobond form from a variety of emerging markets including Mexico, Hungary and the Philippines.

UK houses such as Baring Securities and Flemings have built up strong reputations over several years, especially on the Asian equities side. However, traditionally the US houses have had a competitive advantage in the Latin American markets on their doorstep.

Invariably, expansion means head-hunting the nearest individuals or teams.

"There's a terrific shortage: people are lazy so they just look around and see if they can steal talent from someone else," says Mr Miles Morland, an emerging markets consultant to several US fund managers, who chucked in City life in 1989 to walk across France.

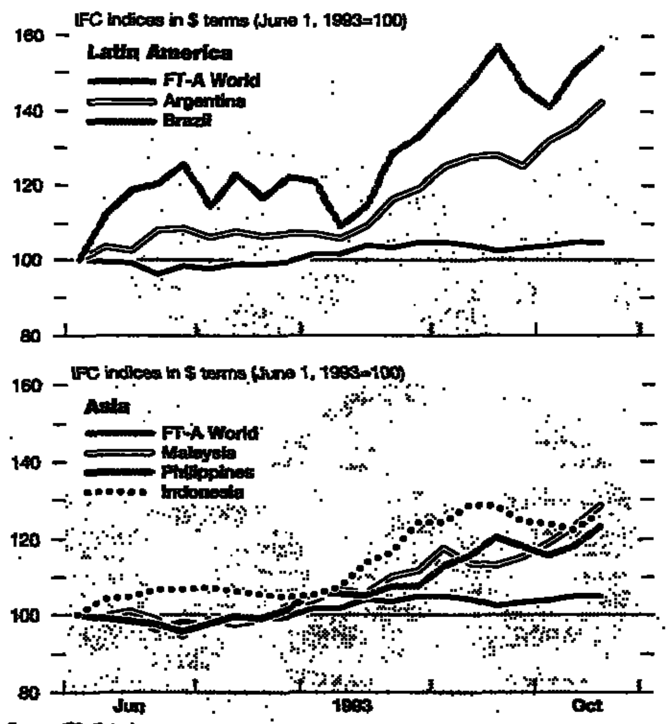
"Usually, what happens is that firms look at the existing pool of people and redeploy them, so you see good people being sucked out of western Europe to look at eastern Europe, or people in Hong Kong and Japan concentrating on other parts of Asia.

"At the moment there's almost no one looking at Africa – I've heard of five different Africa funds being proposed but no one can find anyone to manage them."

Mr Morland believes City firms are missing a great opportunity to hire well educated local staff in some of the emerging countries they cover: not only do they have the right contacts but they are also "a lot cheaper" than most new recruits in the City.

The people who do well in emerging markets "tend to be a bit more creative and imaginative than your routine spreadsheet jockeys," says one insider. "They are the kind of people who go on holiday to Siberia and check out the local brewery for investment potential while they are there," says another specialist.

Star performers



Source: IFC, Datastream

Mr Rogers, interviewed by phone while working out on his exercise bike in New York, claims "a motorbike is the best way to see a country".

But his reception wasn't always the kind associated with the usual investors roadshow. "The people at the stock exchange were always a little surprised ... In Ecuador they thought I was some kind of drug smuggler."

It is easy to see the appeal of these emerging market investments.

US interest rates are at their lowest level for 18 years; returns in the US Treasury bond and stock market look lacklustre; and growth in much of Europe has slowed down.

According to JP Morgan Securities, the Emerging Market Bond Index (EMBI) rose 26.57 per cent in the nine months to September 30, outperforming both US stocks and bonds.

Mr Stephen Dizard, a managing director at Salomon Brothers, points to the increasing internationalisation of US investors, which has resulted in greater interest in overseas investments – including emerging markets.

The aficionados – like Mr Rogers and Mr Morland – get their thrills from being in a market where no foreigner has been before. "Sri Lanka? That's a bit overdeveloped for my taste," laughs Mr Morland. Mr Rogers, meanwhile, says he's putting his money into Ghana and Ecuador. **Argentina anticipates further strong growth, Back Page**

Wellcome and SB open fire in herpes drug war

By Paul Abrahams in London

WELLCOME and SmithKline Beecham, the UK pharmaceuticals groups, yesterday played their opening gambits in the battle for the world's rapidly-growing herpes and shingles treatment market.

The groups revealed data about their successors to Wellcome's best-selling product Zovirax, which generated sales last year of £586m ($884m).

Wellcome published details of the first clinical trial on Valtrex, also known as valaciclovir. The study showed the drug was more effective in shortening long-term pain in shingles sufferers than Zovirax.

Valtrex also required less frequent dosing than its predecessor, according to data which was presented at the Interscience Conference on Antimicrobial Agents and Chemotherapy in New Orleans.

Wellcome said Valtrex would be submitted to the regulatory authorities in the spring, earlier than had been expected.

Meanwhile, SmithKline Beecham also presented data at the conference on its drug famciclovir.

The study demonstrated it was more effective than Zovirax in reducing long-term pain in shingles patients.

The studies presented yesterday could not be compared because each started measuring the reduction in post-shingles pain at different time-points.
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Smiths bolstered by strong growth in medical systems

By Andrew Bolger in London

SMITHS Industries' shares gained more than 10 per cent yesterday as profits from the medical systems side rose 40 per cent to £41.3m ($61.5m), offsetting the continuing decline in the aerospace division.

The UK-based aerospace, medical systems and industrial products group reported annual results above market expectations, and the share price advanced 39p to 394p.

Pre-tax profits rose slightly from £102.2m to £104.6m in the year to July 31. Sales, boosted £57m by acquisitions, increased from £635m to £726m.

Medical systems for the first time contributed more to the group's annual results than the aerospace division, which saw trading profits fall 8 per cent to £40.5m.

Mr Roger Hurn, chairman and chief executive, believed there would eventually be a recovery in aerospace – particularly on the civil side, when a return to profitability by the US domestic airlines would enable them to invest in bigger, more efficient and quieter aircraft.

The industrial division increased trading profits from £15.8m to £21m helped by an eight-month contribution from Vent-Axia, the fans maker which it bought for £58m last December.

Mr Hurn said the group had shed 1,000 aerospace jobs in the UK and US over the 12 months. In the past three years the number of employees in aerospace had fallen by a third to 5,800, just over half the total. He said the downturn in the production of commercial jets and defence cuts meant restructuring and job cuts would continue in aerospace.

The improved performance by medical systems was evenly split between organic growth and the effect of acquisitions – including the £66m purchase last October of Intertech Resources, a US disposable medical products company.

The group's net cash balances fell to £34m from £120m last year, following the purchases of Vent-Axia and Intertech. Operating cashflow increased from £110m to £121m.

Although earnings rose only 2.6 per cent to 23.9p (23.3p), a final dividend of 7.55p (7.15p) gives a total for the year of 11.85p (11.25p).
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INTERNATIONAL COMPANIES AND FINANCE

Restructuring costs cut Thomson-CSF profits

By John Ridding in Paris

THOMSON-CSF, the French state-controlled defence electronics group, yesterday announced a halving in net profits for the first six months of the year. It warned that full-year profits would be below those achieved in 1992.

The company blamed the decline in net profits, which fell to FFr455m ($79.8m) from FFr848m in the first half of 1992, on its stake in loss-making Crédit Lyonnais, and on restructuring costs.

Its 22 per cent holding in the French bank represented a negative contribution of FFr225m, while restructuring charges amounted to FFr110m.

Operating profits, however, remained fairly steady at FFr918m, compared with FFr935m last time.

Sales fell by 5.6 per cent in the first half of the year, to FFr13.94bn. The company said turnover for the full year was expected to decline by about 5 per cent. Operating income is forecast to remain stable for the year at about FFr2.07bn.

The fall in net income for 1993 will depend on the contribution from its financial affiliates, and upon the amount of restructuring charges, the group said.

The decline in sales in the first half was the result of the ending of the billing period for two large overseas contracts with the US and Saudi Arabia. International sales fell by 11 per cent, while domestic turnover showed a 2 per cent rise.

Thomson-CSF is on the list of 21 publicly-owned groups which the French government wants to privatise.

Industry analysts in Paris, however, say the sale of the state's stake in the group was complicated by the structure of Thomson. In particular, most analysts believe it would be difficult to sell Thomson-TCE, the loss-making consumer electronics group which, along with Thomson-CSF, comprises the group.

Matra-Hachette doubles net

By John Ridding

MATRA-HACHETTE, the French defence electronics, automotive and media group, yesterday announced a doubling in first-half net profits to FFr302m ($53.4m) from FFr152m and forecast an increase for the full year from the FFr354m achieved in 1992.

Lagardère Group, the holding company that controls Matra-Hachette, also announced a sharp improvement, raising net profits to FFr85m from FFr10m

Matra-Hachette and Lagardère said they were discussing ways of merging the two companies.

The result of these discussions would be known soon, they said.

Matra-Hachette, which was formed last year by the merger of the two businesses, said that sales in the first half slipped by 3 per cent to FFr26.3bn.

The rise in first-half profits partly reflected a reduction in financial charges, to FFr249m from FFr382m resulting from a reduction in debt.

Operating profits remained stable at FFr1.32bn, with the group's space, defence, audio-visual and transport businesses offsetting declines in other activities.

The increase in profits was also achieved despite a rise in exceptional charges, to FFr418m in the first six months of this year from FFr251m in the first half of 1992.

This year's charges include restructuring costs relating to the merger which formed the group.

Volvo seeks remaining BCP shares

By Christopher Brown-Humes in Stockholm

VOLVO, the Swedish industrial group, yesterday launched a public offer for the outstanding shares in Branded Consumer Products (BCP), the company being formed from the non-drug operations of Procordia.

The move was expected following the company's June agreement with the Swedish government, which will split Procordia into its pharmaceutical and consumer product businesses.

It is not linked with the planned merger of the group's car and truck operations with France's Renault.

The offer values BCP at SKr11.9bn ($1.5bn), or SKr47 a share, excluding SKr2.5bn of debt. It is essentially a mopping-up exercise, as Volvo will hold 85.5 per cent of BCP's votes and 73.7 per cent of its capital once Procordia is formally split next month.

Volvo's offer consists of three alternatives:

- One new Volvo share for every six BCP shares. Based on the SKr412 price at which Volvo's shares closed yesterday, this values each BCP share at SKr68.7;
- SKr47 in cash for each BCP share;
- Seven shares in the new Procordia, to be renamed Pharmacia, for every 20 BCP shares.

Behind the offer is Volvo's desire to balance its cyclical motor vehicle operations with a more stable consumer goods business. BCP comprises Swedish Match, Procordia Food, Procordia Beverages and Procordia Invest.

Disappointment among some analysts, who felt the terms were dilutive for the company's existing shareholders, prompted a SKr17 fall in Volvo's share price yesterday, to SKr412.

Shares in BCP will be distributed to Procordia's current shareholders in the form of a dividend in mid-November, allowing Volvo to proceed with its offer between November 18 and December 10.

Ferruzzi creditors begin a delicate game

Foreign banks are looking to avoid bankruptcy proceedings, writes Robert Graham

FOREIGN bank creditors of the collapsed Ferruzzi-Montedison empire have begun a delicate poker game to recover what they can of the L4,128bn ($2.6bn) considered to be at risk.

Talking tough, they declared last Thursday the restructuring plan for Italy's second largest private group as "unacceptable". This is in direct contrast to the Itallans banks, which with L14,058bn at risk, have given a majority endorsement. The foreign banks last weekend formed a working group composed of Barclays, Citibank, Credit Suisse, Deutsche Bank and UBS with the aim of preparing counter-proposals.

The first task, they say, will be to assess the state of the companies, on which they have had no consistent information since the debacle of Ferruzzi debts and losses became known five months ago. They then want to be assured of cashflow projections and administrators' plans for management. From there, the tough bargaining will start.

The foreign banks must propose a compromise rescue formula for Ferruzzi-Montedison acceptable to all parties concerned. If not, the administrators will be obliged to initiate bankruptcy proceedings.

"No-one wants to get involved in bankruptcy proceedings in Italy if they can possibly avoid it," said one of the foreign bankers involved. "The proceedings would be hideously complex and lengthy, and we have all seen the problems that have arisen, first with Federconsorzi and then Efim."

The 107 foreign creditor banks are not the only ones to realise this. In a letter to the foreign banks this week, Mediobanca, the Milan merchant bank which drew up the restructuring plan, raised the dangers of bankruptcy proceedings if they continued to reject the proposals. Mediobanca and the administrators of Ferruzzi-Montedison believe the core of the group's agro-industrial, chemical and financial activities can be salvaged through restructuring. They point to the healthy half-year net operating profit of Montedison, the main industrial group, up from L398bn to L748bn.

Whatever the outcome, creditors could lose more than L4,00bn in all, according to informal estimates circulating among bankers.

Matters have not been helped by the foreign banks' claims that they were excluded from preparation of the Mediobanca plan. They are also wary after the mishandling of foreign creditors in the 1991 collapse of Federconsorzi, the agricultural services group, and the 1992 liquidation of Efim.

The Mediobanca plan is centred on four elements: a debt moratorium for 1993 costing creditors L1,800bn; a consolidation of Ferruzzi-Montedison debt over 10-12 years costing creditors a further L1,600bn; assets sales worth L5,500bn; and capital increases totalling L5,400bn through debt conversion and fresh subscriptions underwritten 80 per cent by the creditors. There will also be a L800bn fund to assist small creditors.

The 21 Italian banks, accounting for 71 per cent of the credits at risk, have backed this plan and agreed to waive interest for 1993. Of credits totalling L25,000bn on May 31, L18,899bn is bank debt subject to the moratorium and to consolidation. The Italian banks are more vulnerable, not only in the size of their lendings but in the quality.

They have L8,238bn extended to Ferruzzi Finanziaria (Ferfin), the quoted financial holding controlled by the Ferruzzi family until the June collapse. A further L5,820bn of credits are outstanding with Montedison, Ferfin's quoted industrial group. Ferfin's assets are essentially its 38 per cent stake in Montedison, a 51 per cent shareholding in Fondiaria, the insurance company, and shares in diversified interests.

The foreign banks, on the other hand, have their main exposure, of L3,381bn, to the operating companies, Montedison and its associates. Only L747bn is extended to Ferfin, the financial holding. They also have L1,537bn of credits unaffected by the moratorium or debt consolidation – L1,070bn to the soundly-operating Eridania Beghin Say foodstuffs business, and L193bn to Edison, the power generation company.

The distinct nature of the foreign and Italian banks' exposures, coupled with the domestic banks' greater interest in preservation of the Ferruzzi-Montedison's indentity, has created different priorities and approaches.

The foreign banks claim the interests of the creditors are being put before those of the Ferfin and Montedison shareholders. Ferfin's equity in Montedison must be first "extinguished or reduced consistent with creditors rights", they told Mediobanca. The cancellation of interest in 1993 to protect shareholders equity, they claimed, "violates creditors' rights, is inconsistent with accepted international restructuring principles, and is completely unfeasible".

Another point disputed by the banks is the extent of asset sales. Rather than protect the nature of Ferruzzi-Montedison, they believe credit recovery can be maximised through a larger sale of the good assets controlled by Ferfin.

For instance, the plan envisages the Ferfin stake in Montedison to be cut to 30 per cent and its stake in Fondiaria, to 34 per cent.

The backing of the big Italian banks for the plan enabled Ferfin's and Montedison's half-yearly accounts to be passed by their boards. Approval had been delayed from September 30 to permit the administrator to include at least the biggest Italian creditors' decision to forego interest in 1993.

The next formal step will be the special meetings of Ferfin and Montedison convened for November 31 and December [illegible] to approve the first stage of their respective capital increases. If the foreign banks continue to oppose the plan, the meetings will have to be postponed, perhaps leading to bankruptcy proceedings.

INTERNATIONAL COMPANY NEWS IN BRIEF

■ THE CITY state of Bremen confirmed yesterday that a consortium of local companies had signed a provisional agreement with Klöckner-Werke, the diversified steel group, about the possible purchase of its ailing steel plant in the region, writes Ariane Genillard in Bonn.

The offer will be reviewed by Klöckner-Werke's board of directors, which is due to meet on November 11. A Klöckner spokesman said it had "a good chance" of being accepted.

According to the provisional agreement, the consortium is expected to buy 75 per cent of the plant for a symbolic price. Klöckner-Werke would keep the remaining shares.

■ Hoechst, a leading German chemicals group, said drug sales have started to improve, following a 2.6 per cent decline to DM4.5bn ($3.4bn) in the first half, writes Christopher Parkes in Frankfurt.

Turnover from the pharmaceuticals divisions had increased 0.6 per cent after eight months and full-year sales were expected to improve 3 per cent, according to group executives.

■ Shares in Aegis, the London-based holding company of Europe's largest media-buying and planning group, plunged 11p to 21½p yesterday as the group put forward a plan to raise new equity finance and restructure its capital, writes Diane Summers in London.

Omnicom, the US-based advertising giant, will, for the first time, become a significant shareholder in the group, prompting speculation that it could eventually combine its advertising activities with Aegis' media-buying.

Aegis intends to raise £61.2m ($92.41m) of new equity finance through an open offer of £46.2m of new ordinary shares.

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■ Safra Republic, the Geneva-based private banking group, reported consolidated net income of $30.1m, or $1.70 per share, in the third quarter, up 30 per cent, writes Ian Rodger in Zurich.

Net interest income rose 10.6 per cent in the third quarter to $56.2m, thanks to widening spreads while foreign exchange and trading income jumped 51 per cent to $8.3m. Net commission income more than doubled to $16.4m.

■ Celsius Industries, the newly-privatised Swedish defence group, has upgraded its 1993 profits forecast, after posting better-than-expected figures for the first eight months, writes Christopher Brown-Humes.

The company expects a SKr625m profit this year, compared with an earlier prediction that profits would at least match 1992's SKr545m ($69m) surplus. The group raised profits after financial items by 23 per cent in the first eight months to SKr425m from SKr345m even though sales eased to SKr7.2bn from SKr7.7bn.

■ Huhtamaki, the Finnish consumer products group, plans to raise more than FM300m ($53m) through an international issue of up to 1.8m I shares, writes Christopher Brown-Humes.

The proceeds will help the group fund the purchase of CarnaudMetalBox's high performance plastics division.

Accor earnings fall to FFr109m in first half

NET profits at Accor, the French hotel and tourism group, fell to FFr109m ($18.8m) in the first half from FFr137m last time as the fiercely competitive condition of the European hotel business took its toll, writes Alice Rawsthorn in Paris.

The group, still burdened by heavy debts following the acquisition in 1991 of Wagons-Lits, the Belgian travel group, also warned of a fall in net profits for the full financial year.

It said that although the seasonal nature of its business meant the second half would be better than the first, it expected net profits to settle at between FFr550m and FFr650m for the full year.

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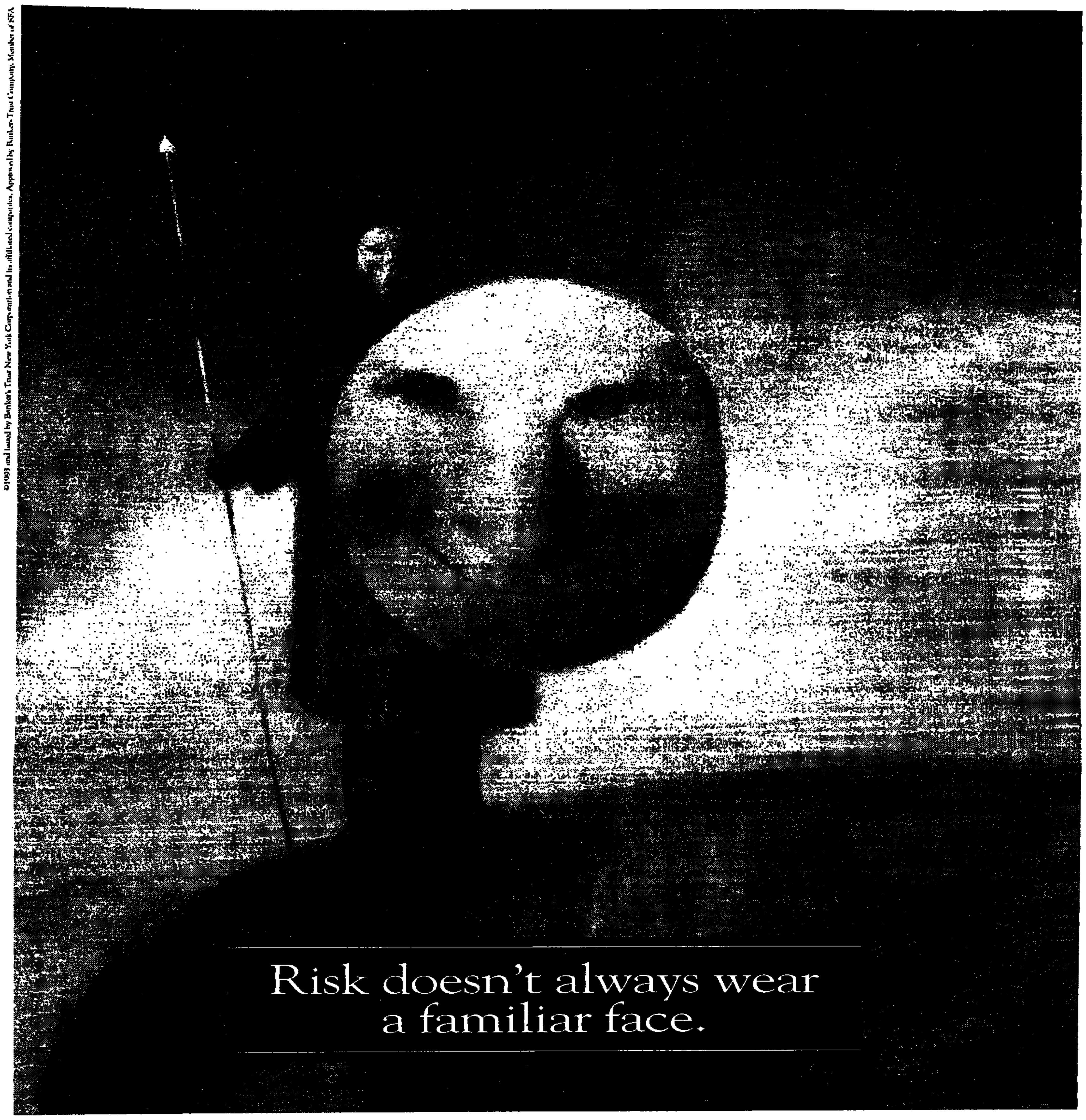
Risk doesn't always wear a familiar face.

Digital slides back into the red

By Alan Cane

DIGITAL Equipment, the troubled US computer manufacturer, slipped back into the red in the first quarter of 1994 but cut its losses compared with the same period last year.

The results were poorer than analysts had anticipated and the shares fell $⅞ to $35¼ in early trading in New York.

Digital suffered a net loss of $83.18m, or 62 cents a share, for the quarter ended October 2, against $260.55m, or $2.04, a year ago. The loss included a one-time benefit of $20m, or 14 cents, relating to a change in accounting principles for taxes.

The loss before tax was reduced to $99.7m, compared with $250.5m last year, which Mr Robert Palmer, chief executive, attributed to a focus on cost controls. Research and engineering spending has been cut by $90m or 22 per cent and selling, general and administrative costs fell by $259m or 23 per cent, compared with the same quarter a year ago.

Operating revenues were $3.01bn, 9 per cent below the $3.3bn recorded last year.

Mr Palmer said: "We were disappointed by the revenue declines from last year." He attributed much of the fall to weak markets in Europe, especially Germany and Italy. There was a slight decline in the US, but growth in Asia was not enough to compensate for the falls in other areas.

Digital's latest loss comes immediately after its first quarterly profit in two years and follows a campaign to convince customers the company is committed to becoming a leader in "client-server" systems. These are networks of small computers, which are rapidly replacing the minicomputers that have been Digital's main products.

Revenues and profit margins are suffering with the move to cheaper products. Mr William Steul, chief financial officer, said Digital achieved double-digit growth in both dollars and units in personal computers and workstations, but product gross margins declined five points from last year.

Lower oil prices restrict Texaco to $317m

By Richard Waters

WEAKER oil prices and special items restricted third-quarter net income on continuing operations at Texaco to $317m, or $1.13 a share, compared with $325m, or $1.36 a share, a year before.

Including the loss on the sale of the company's chemical business, net income fell to $142m.

Before all one-off items, after-tax earnings were $255m, down from $338m the previous year. Mr Alfred DeCrane, chairman and chief executive, said this reflected a "solid performance" in the face of a $4 per barrel decline in crude oil prices.

Operating earnings from US exploration and production fell from $193m to $138m while upstream activities overseas generated $15m, down from $98m (both before special items), largely as a result of lower oil prices.

Operating income from downstream businesses, on the other hand, rose to $99m from $83m in the US and remained flat at $107m overseas.

Texaco also reported special charges of $235m, stemming from staff reductions, reserves to meet environmental clean-up costs and asset write-downs.

These were offset by a $152m credit due to a change in tax law affecting deferred taxes and a $145m deferred tax credit related to the sale of an interest in a subsidiary.

A loss on the sale of Texaco's chemical operations led to a $164m charge, along with a $11m loss for the quarter on the chemical business.

Burger King reviews US advertising account

By Frank McGurty in New York

BURGER King, the fast-food restaurant chain, is reviewing its main US advertising account, handled by the New York office of D'Arcy Masius Benton & Bowles since 1989.

The business, which according to industry estimates has a budget of $170m a year, is one of the world's most lucrative advertising accounts.

Burger King, a subsidiary of Grand Metropolitan, said it was "seeking a fresh approach" to a "back-to-basics" marketing strategy, initiated by Mr James Adamson when he was appointed chief executive last July.

"It is simply the right time to review creative options and steer our advertising in the direction that further builds on our brand equities," said Mr Sidney Feltenstein, executive vice-president for worldwide marketing.

DMB&B's first television campaign for the group since Mr Adamson's appointment was launched this month. It highlights prices and puts less emphasis on quality.

The fresh approach by Burger King, which operates about 7,000 restaurants worldwide, comes as packaged goods marketers are increasingly concerned over the willingness of US consumers to buy lower-cost alternatives to brand-name products.

Burger King said it would continue to stress value for money in its advertising. "This is a simple, fun business," a spokeswoman said. "There's no reason to make our message too complicated."

Burger King's advertising budget is $250m a year, which includes international billings, special projects and advertising directed at consumers from US minority groups.

The company declined to comment on the specific size of the account under review except to say it involved "a good portion" of the total.

DMB&B would continue to handle the international portion of the business and would be invited to participate in the review, the company said.

USAir loss near forecast at $177.6m

By Richard Tomkins in New York

USAIR, the US airline in which British Airways has a 24.6 per cent stake, yesterday produced the latest in a series of dismal results by reporting a third-quarter loss of $177.6m. It was roughly in line with the $180m loss it had predicted at the end of last month.

Part of the loss reflected an exceptional charge of $67.2m for costs involved in cutting 2,500 jobs from its workforce, and the comparable figure for last year's third quarter – a loss of $105.5m – included an exceptional gain of $10.3m on the sale of its general aviation activities.

Mr Seth Schofield, president and chief executive, acknowledged the figures were poor. "While revenues and yields have improved from last year, our results are disappointing, especially in the light of more positive results reported for the first two quarters of this year," he said.

USAir, burdened with some of the highest wage costs in the industry, is facing tough competition from low-cost carriers, such as Southwest Airlines, which last month launched an assault on USAir's Baltimore hub in the north-east. It has failed to report an annual profit since 1988.

The company hopes to cut its costs by $200m next year.

Tenneco earnings more than doubled at $116m

By Laurie Morse in Chicago

TENNECO, the diversified US industrial company, more than doubled third-quarter operating earnings, helped by a sharp turnround at its farm and construction equipment division and improvements in its natural gas pipeline operations.

Income from continuing operations advanced to $116m, or 64 cents a share, compared with $46m, or 28 cents, in the third quarter of 1992.

Revenues were little changed from last year, at $3.2bn.

Tenneco's heavy equipment manufacturing division, Case Corporation, reversed last year's third-quarter loss of $68m to report a $10m profit in this year's quarter. Sales fell to $841m, from $848m in 1992.

Case, which has undergone substantial restructuring in the past two years, will increase output in the current three months for the first time in seven quarters.

A 30 per cent production increase will put Case's production for all of 1993 at the same level as 1992.

Mr Mike Walsh, Tenneco's chairman, said that new pricing strategies, aggressive inventory management and quality control would continue Case's operating improvement into 1994.

Tenneco Gas earned $94m in the quarter, up from $58m last year, while operating income at Tenneco's chemicals division, Albright & Wilson, rose to $20m, from $15m.

The natural gas division's results were aided by a favourable rate decision that added $34m to operating income in the third quarter.

However, the automotive parts and packaging divisions showed only marginal income improvements, while revenues and operating income declined at the Newport News shipbuilding division.

For the nine months, Tenneco's operating income rose to $852m, from $680m last time.

Income from continuing operations rose to $301m, or $1.75 a share, from $131m, or 82 cents a share, last year.

The company said that efficiency improvements had added about $170m to operating income since January, compared with $215m for all of 1992.

Bristol-Myers blames currency movements for static quarter

By Karen Zagor in New York

BRISTOL-MYERS Squibb, one of the world's biggest drugs companies, yesterday reported a 3 per cent rise in third quarter net income on sales which slid 3 per cent.

For the three months to September 30, Bristol-Myers had net income of $608m or $1.18 a share on sales of $2.86bn. A year earlier, it earned $589.2m, or $1.14 on sales of $2.95bn, including earnings from discontinued operations of $17.4m.

Like its competitors, Bristol Myers has been hit by pressure to reduce drugs prices. The company blamed unfavourable exchange rate fluctuations and government costs containment measures in some European countries for its sales shortfall in the quarter.

Mr Richard Gelb, chairman and chief executive, also blamed the decline on a comparison with a very strong third quarter for pharmaceutical sales last year.

In the latest quarter, Bristol Myers' pharmaceutical sales fell 4 per cent in spite of higher sales for several new products including its cholesterol-lowering Pravachol, its Videx AIDS medication and the Taxol cancer-fighting drug. Sales of Capoten, a cardiovascular drug, continued to erode.

Sales of medical devices were flat, while consumer product sales dropped 3 per cent, reflecting strong competition in the US analgesics and hair care markets.

For the nine months, net earnings were $1.7bn, or $3.30, on sales of $8.42bn. In the same period of 1992, the company earned $1.38bn, or $2.67 including earnings from its Drackett household products business which was sold in December and from a charge of $246m for accounting changes.

Earnings from continuing operations rose 8 per cent to $1.7bn from $1.58bn. Sales edged up to $8.42bn from $8.33bn.

BankAmerica flat in third term

By Richard Waters in New York

UNDERLYING earnings at BankAmerica remained flat in the third quarter as the US's second biggest banking group continued to struggle against a weak economy in its home state, California.

After paying out $26m in what it termed a "special recognition award" to employees following the merger with Security Pacific, net income in the three months was $486m, or $1.19 a share.

This compared with after-tax earnings of $488m in the previous three months and $476m, or $1.22 per share, in the third quarter of 1992.

"Economic weakness continued to constrain our overall business volume," said Mr Richard Rosenberg, chairman and chief executive.

The bank continued to focus on controlling costs, he added.

Operating costs, at $1.85bn, were level with the previous three months, though ahead of the $1.79bn of the 1992 third quarter.

Net interest income, at $1.88bn, was identical to the level in the same period a year before, though up from $1.85bn in the second quarter of this year.

Non-interest income, at $1bn, was down by $49m from the previous quarter due to lower profits from asset sales and a decline in foreign exchange trading income, from $108m to $76m.

Provisions for credit losses during the period fell to $175m, from $200m in the previous three months.

In common with other US banks, BankAmerica reported a further rise in the ratio of loan-loss reserves to non-performing loans, which now stands at 122 per cent, up from 110 per cent.

The bank's tier one capital ratio climbed to 7.2 per cent from 6.9 per cent at the end of June.

Credit services help lift Dean Witter 52%

By Patrick Harverson in New York

DEAN Witter Discover reported a 52 per cent increase in third-quarter profits to $171.6m yesterday following record contributions from its credit services and Wall Street securities businesses.

The strong third quarter took profits for the first nine months of 1993 to $465.1m, already more than the $410.5m earned in all of last year.

Mr Philip Purcell, chief executive, said the group continued to benefit from a positive business environment, especially "low interest rates and the flow of assets into mutual funds".

The securities business reported record earnings of $692.4m, up 25 per cent on a year earlier.

Brokerage commission revenues climbed 35 per cent to $226.3m, asset management and administration fees rose 27 per cent to $217.1m, and investment banking revenues grew 34 per cent to $90.2m.

Principal trading revenues, however, fell 5 per cent to $97.6m, due to reduced activity in the fixed income markets. Operating expenses in the securities business rose 20 per cent to $573.7m.

Dean Witter's credit services division, which includes its highly successful Discover credit card business, produced earnings of $101.5m, against $68.6m a year ago.

Revenues rose 23 per cent to $483.9m, while operating expenses increased by only 15 per cent.

Fee income from Discover cardholders and merchants climbed 26 per cent to $226.4m as transaction volume and a larger merchant base rose noticeably.

Income from the division's $18.7bn of managed loans grew 21 per cent due to favourable interest rates, high loan portfolio balances and an improving credit environment.

Dean Witter's stock rose $⅝ to $40⅞ on the New York Stock Exchange in early trading yesterday.

Canadian goldminer ahead 18%

AMERICAN Barrick, one of North America's top four gold producers, posted an 18 per cent increase in third-quarter profit, with sharply higher output from the Goldstrike mine in Nevada, writes Robert Gibbens in Montreal.

With initial development of Goldstrike completed and cash resources mounting, Toronto-based American Barrick is focusing its search for new reserves on South America and Asia.

It may also develop two projects in Peru.

Net profit for the quarter was US$58.3m, or 21 cents a share, up from $49.5m, or 18 cents, on revenue of $178m, against $143.5m.

Output was 413,829oz, compared with 343,474oz. The average price realised was $410, against $430, and cash cost per oz was $202, against $224.

Profit for the nine months was $161.5m, or 57 cents, up from $109.4m, or 39 cents, on revenues of $497m, against $340m.

Slow sneaker sales cut Reebok returns

REEBOK International, the athletic footwear group, suffered a 14 per cent drop in third-quarter profits, citing losses from the sale of two divisions and a slowdown in the sneaker market, AP-DJ reports.

The US group earned $63.9m, or 74 cents a share, for the three-month period, compared with $74.3m, or 80 cents, in the same period last year.

This year's figure included after-tax losses of $7m stemming from the recently-completed sales of its Boston Whaler and Ellesse subsidiaries.

Revenue for the quarter dropped to $808.5m from $863.2m in last year.

Last year's sales figures included revenue from Boston Whaler and Ellesse. But even excluding those numbers, sales would have fallen by 3.6 per cent this year.

The decline was brought on largely by a drop in the Reebok footwear business.

In the US market, the company said quarterly sales of Reebok footwear fell by around 20 per cent, reflecting the sluggish economy and a change in footwear styles away from sneakers as casual shoes.

For the first nine months of 1993, Reebok reported profits of $172.7m, or $1.94, down from $182.4m, or $1.96 a year earlier. Nine-month sales were $2.29n, compared with $2.36bn.

INTERNATIONAL COMPANIES AND FINANCE

Maanshan Iron and Steel launches HK$3.93bn offer

By Simon Davies in Hong Kong

MAANSHAN Iron and Steel has become the largest Chinese state company to issue shares in Hong Kong, following the launch of its HK$3.93bn (US$508m) share offer. Around 75 per cent of these shares have already been taken up through private placement, and analysts expect a strong response to the public offer.

Maanshan is the fifth of the nine Chinese state companies short-listed for flotation in Hong Kong, and it will be the largest. The company is forecast to post net profit of Yn1.25bn (around HK$1.08bn) in 1993, representing a 207 per cent increase from 1992, as a result of lower taxation and the benefits of the lifting of state controls on pricing.

The company is the eighth largest iron and steel company in China, and is situated to the west of Shanghai. It has been rapidly expanding its production capacity, in the face of the highest growth in demand among the world's main iron consuming economies.

Given the vast requirement for infra-structural expansion in China, Chinese steel demand is forecast to continue to outpace domestic supply. The company is using the proceeds from the flotation to fund expansion of its iron smelting facilities, and to boost steel rolling capacity. It also intends to introduce new products, such as H-section steel bars, required for construction of high-rise buildings.

In the current year, China has seen a significant increase in the level of steel imports, as it adapts to the removal of state controls on sales and pricing, and there has been a recent fall in the price of steel. However, Maanshan is considered one of the more efficient of China's giant industrial corporations, and therefore capable of adapting profitably to the new environment.

Analysts estimate that it has a US$200 per ton cost advantage over Asian competitors.

The company is offering 1.73bn shares at HK$2.27 a share. Dealing in the share will commence on November 3.

Sappi turns in 63% fall at halfway

By Philip Gawith in Johannesburg

WEAK international and domestic markets caused net income at Sappi, the South African-based forest products group, to fall by 63 per cent to R64.3m ($19.2m) in the six months to August from R175.1m a year ago.

Describing the results as "very disappointing", Mr Eugene van As, chairman, said nevertheless that they were "in line with those of better performing international forest product companies".

Citing poor trading conditions and lack of promise in the short-term outlook, the group decided to pass its interim dividend (80 cents a share in 1992). Earnings per share fell by 67 per cent to 43 cents from 130 cents.

Turnover rose by 36 per cent to R2.7bn as a result of the consolidation for the first time of German subsidiary Hannover Papier, acquired in July 1992. Turnover from existing businesses was flat, reflecting low selling prices and difficult trading conditions. Operating income fell by 54 per cent to R101m. Sappi Europe reached "approximately a break-even result".

Samsung agrees to cut stake in Kia Motors

By John Burton in Seoul

THE SAMSUNG group yesterday agreed to reduce its shareholding in Kia Motors, ending its possible attempt to take over South Korea's second largest vehicle manufacturer.

The decision by Samsung, one of the country's leading conglomerates, was taken after Kia vowed to resist any takeover bid and state officials warned that the government might intervene in support of Kia.

Samsung recently became Kia's second largest shareholder with a 9.6 per cent interest after purchasing large blocks of stock on the Seoul bourse during the summer.

Analysts believe that Samsung was setting the stage for a hostile takeover attempt next year when government restrictions on mergers and acquisitions will be eased.

The retreat by Samsung is considered a setback to its plans to become a passenger car manufacturer. Samsung already owns Korea's leading electronics company and operates in other industries ranging from shipbuilding to construction.

"A takeover of Kia would have provided a shortcut for Samsung to fulfil its ambition of entering the auto industry and becoming a major producer," said Mr Don Lee, a motor industry analyst for BZW in Seoul.

Analysts saw several advantages for Samsung in the deal. A takeover would have meant that Samsung would immediately acquire production facilities instead of spending several years and billions of dollars building them on its own.

In addition, it would solve Samsung's apparent difficulty in finding a foreign partner that could provide technology. Samsung is believed to have held fruitless talks with BMW of Germany and several Japanese carmakers on possible co-operation.

"The combination of Kia's production resources with Samsung's financial and research strengths could have transformed Kia into a formidable competitor against Hyundai," Korea's leading car manufacturer, said Mr Lee.

Kia was considered vulnerable to a possible takeover since heavy investments have put pressure on its finances and reduced earnings since 1990.

It reported net profits of Won15bn ($18.5m) in 1992 and won5.2bn for the first half of 1993.

Bosses at Boral build a dynamic image

Nikki Tait examines the Australian group's flurry of activity that has pleased analysts

BRUCE KEAN, the outgoing boss of Boral, could be said to be ending his days in style.

By the time he leaves the Australian building materials group in January, Mr Kean will have neatly executed a A$830m (US$552m) takeover bid, overseen the $245m flotation of the group's manufacturing interests, orchestrated management changes, and hopefully reported a sustained resumption in profits growth.

He will then hand over the reins to a unexpectedly dynamic successor – Mr Tony Berg, the former head of Australia's Macquarie Bank.

Given that this is Boral, long-regarded as a drearily mature corporate earner whose broader strategy has often been found wanting, the flurry of activity is something of a surprise. For analysts, it comes not a moment too soon.

Mr Kean himself readily acknowledges that change had become imperative at Boral. The company, he says, realised in the course of the recent recession that construction industry cycles at home and abroad were becoming synchronised. This meant that previous international diversification – into the US, in particular – offered little protection against a slump in demand in its core Australian market. "The whole world went into recession – so here we were, with a strategy to dampen the cycles, actually accentuating the cycles."

For the first time in its history, Boral experienced slumping earnings. Net operating profits, ahead of extraordinary items, fell from A$322.2m, to A$211.4m in 1991-1992 and then to A$152m in the following year. North America produced losses, while returns in Australia were depressed. Mr Kean denies that the group ever felt subject to a takeover threat, but a rethink was plainly required.

Boral's chosen path – the A$830m takeover of Sagasco, the Adelaide-based gas group – actually expands the company's involvement in an area it has dabbled with for years. Boral's name is an acronym for Bitumen Oil Refinery Australia Limited, and oil refining was its original occupation.

"User-related" businesses – from brickworks to gasworks – were then added, and the refinery itself was eventually sold. Funds were invested into the building materials side instead, but energy remained a small part of the group.

The reason for ploughing funds into the gas business now are twofold. The first is the desire to stabilise earnings. "We had to have something that was stable, less cyclical than the construction business," says Mr Kean. Analysts add that the possible downturn for the housing market by 1995 may have provided extra urgency.

Secondly, commercial prospects for Australia's gas industry – once heavily regulated, costly and fragmented between the states – have improved significantly as governments have pursued pro-competition, pro-privatisation policies. "Things have changed on the energy side," comments Mr Kean. "Governments have been privatising gas utilities, the shareholder restrictions on gas utilities are being removed. The federal government has been pushing for deregulation of the natural gas industry, looking for free interstate movements."

The most recent example of this occured a fortnight ago, when Queensland agreed to supply gas to South Australia, and the latter then agreeing to pass ethane on to ICI's petrochemical plant in Botany Bay. As a result of this evolving process, growth in natural gas consumption in Australia is forecast to outstrip significantly the growth in energy consumption generally for the next decade.

By buying Sagasco, Boral obtains large production interests in SA's Cooper Basin and elsewhere, in addition to the Adelaide-based gas company which currently supplies about 292,000 domestic customers and 9,000 businesses. The cost of the deal, meanwhile, will be partly offset by the flotation of the manufacturing operations, detailed yesterday.

But matters will not end here. Boral is widely expected to acquire more gas businesses down the road – probably in Victoria, where there has been talk of privatising Gas and Fuel Corporation, or Western Australia. "I see this as the first of three chess moves," says one BZW analyst. "With Sagasco we now have the critical mass to make the next, bigger bid in the energy industry for Gas and Fuel Corporation or SECWA in Western Australia," confirms Mr Kean.

The domestic gas industry is not the extent of Boral's ambitions, either. The aim, says Mr Kean, is to create a group with income derived equally from Australian building materials, Australian energy, and building materials interests overseas. The latter, in turn, would split evenly between North America, Europe and Asia.

Boral has a way to go in meeting this objective. Sagasco means that energy will account for about one-fifth of earnings, and future energy-related purchases should lift this further.

But there is a recognised need to expand on the overseas building materials front too – especially in Asia and Europe. "In the mature markets, Europe and North America, it will be by acquisition," says Kean, mentioning that the group is looking at an possible deal in the Czech Republic. In Asia, operations are more likely to be grown by "greenfield" investment. Current plans include a gypsum board factory in Indonesia, and aluminium window plants in Vietnam and Indonesia.

Achieving the three-fold split will be up to Mr Berg – who arrives at Boral with a Harvard MBA, a background in investment banking, and a much-respected record at Macquarie Bank. One analyst estimates that his appointment has already added about A$200-A$300m to Boral's market capitalisation. The stockmarket, at least, seems convinced that activity is set to continue.

Flotation expects to raise A$245m

BORAL, the Australian building materials group, yesterday announced that it expects to raise A$245m (US$163m) from the flotation of its non-core manufacturing interests, writes Nikki Tait in Sydney. These interests range from the production of yarn and rope to tools and hardware. Brand names include Gerrard springs, Kinnears ropes, and Trojan hardware.

The company plans to float 122.5m shares in Azon – the name of the holding company for the diverse range of business – at A$2 apiece. Boral will then receive a further A$55m through the repayment of inter-company loans and a dividend from Azon – bringing the total benefit from the flotation to about A$300m.

News of the Azon flotation comes less than a week after Boral won control of Sagasco, the Adelaide-based gas business.

Gengold mines' income improves

By Philip Gawith

A FIRMER gold price helped the 11 gold mines managed by Gengold, the gold arm of the Gencor group, lift income after tax and capital expenditure by 22 per cent to R73.7m ($21.9m) from R60.6m in the September quarter.

The three mines not to improve on the previous quarter's performance were Bracken and Stilfontein, both of which are being closed, and Unisel which, as previously announced, is struggling temporarily with poor grades.

Mr Gary Maude, managing director, said a feature of the quarter was the large increase in tax paid by some mines. Particularly hard hit were Buffelsfontein and Kinross, which paid R16.5m (R2.4m) and R24.4m (R14.7m) tax respectively.

Gold production in the group was virtually unchanged at 16,751kg. The average gold price received rose by 10.5 per cent to R38,414 per kg and unit working costs, across the group, rose by 1.1 per cent to R27,377 per kg from R27,083 per kg.

● In the Anglovaal group, the flagship producer Hartebeestfontein lifted profits after tax and capital expenditure by 11 per cent to R49.4m in the September quarter from R44.6m in June.

Higher costs saw distributable profits at the marginal Loraine mine almost halved to R3.8m from R7.5m. ETC lifted distributable profits to R2.9m from R2.7m.

Telstra ahead 11% in year

By Andrew Adonis

TELSTRA, the state-owned Australian national telecommunications operator, reported pre-tax profits up 11 per cent on last year, despite the first full year of open competition in the Australian telecoms market.

Telstra, one of Asia-Pacific's leading operators, reported profits up from A$2.12bn to A$2.36bn (US$1.57bn), before tax and abnormal items, on revenue up from $12.2bn to $12.7bn.

The company is planning significant overseas investments, with a target of increasing overseas revenue to A$1.5bn a year over the next five years.

Telstra has significant ventures in Vietnam, Cambodia, Pakistan and Saudi Arabia. It recently bid unsuccessfully for the UK government's long-distance network, and is considering a joint venture – with partners including Cable & Wireless – to extend the telephone network in the Philippines.

AEGIS (NETHERLANDS ANTILLES) FINANCE N.V.

(Incorporated under the laws of the Netherlands Antilles)

Notice of a Meeting of the holders of 9¾ per cent. Guaranteed Redeemable Convertible Preference Shares 2004 of one pence each guaranteed on a subordinated basis by, and convertible into Ordinary Shares of,

AEGIS GROUP PLC

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Europreference Shareholders") of the above-mentioned shares (the "Europreference Shares") will be held at the New Connaught Rooms, Great Queen Street, London WC2B 5DA at 10.30 a.m. on 12th November, 1993 (or as soon as practicable after the separate meeting of holders of Warrants for Ordinary Shares in Aegis Group plc (the "Company") issued by Aegis (Netherlands Antilles) Finance N.V., which has been convened for the same date, shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions:-

EXTRAORDINARY RESOLUTION

1. Having taken notice of the need for a refinancing of Aegis Group plc ("Aegis"), and having read or having been informed of the contents of the Circular to the Europreference Shareholders and others dated 20th October, 1993 (the "Circular") (a copy of the Circular being produced to the Meeting and initialled by the Chairman for purposes of identification), and in accordance with Article 13, Section 6 of the Articles of Incorporation of Aegis (Netherlands Antilles) Finance N.V. ("Aegis Finance"):-

THAT:

(A) In order to postpone the dividend payment date which would otherwise fall on 13th December, 1993 (being the first business day after 11th December, 1993) until 31st December, 1993, the Articles of Incorporation be amended as follows:-

(1) the second sentence of paragraph 12 of Article 6 be amended to read as follows:-

"Such dividend shall be payable annually in arrear on 11th December in each year, save that in 1993 it shall instead be payable on 31st December, 1993 (each such date being a "Dividend Payment Date") commencing on 11th December, 1990."; and

(2) the first sentence of paragraph 2 of Article 10 be amended to read as follows:-

"Payments in respect of registered shares B will be made to the persons shown on the Register at the close of business on 13th November of the relevant year, other than in 1993 when the relevant date shall be 1st December, 1993, (each such date being a "Record Date") following surrender to the Registrar outside the United States in the case of payments of redemption moneys of the relevant registered share B certificate."

(B) Subject to satisfaction or waiver of the Conditions (as defined and set out in the Circular), other than Condition (C) (iii), this Meeting hereby approves and sanctions each and every variation, modification or abrogation of the rights attached to the Europreference Shares which may be involved in or effected by the Refinancing (as described in the Circular) including, without limitation, the adoption of amended Articles of Incorporation of Aegis Finance in conformity with the draft dated 19th October, 1993 of such amended Articles (copies of such draft document having been deposited with Aegis Finance and the Paying and Conversion Agents for the Europreference Shares for inspection by Europreference Shareholders prior to this Meeting and a copy of such draft document being produced to this Meeting and initialled by the Chairman for purposes of identification), which amendment will supersede the amendments in paragraph (A) above and will, *inter alia*, provide that:

(a) Any and all dividend entitlements of the Europreference Shareholders in respect of the period from 11th December, 1992 and all unmatured coupons appertaining to bearer Europreference Shares are cancelled; and

(b) Subject as mentioned in (c) and (d) below, the Europreference Shares are redeemed on 30th December, 1993 or on such earlier date as may be determined by the Board of Managing Directors (the "Redemption Date") in consideration for Aegis Finance procuring the issue to the holders of Europreference Shares on the Effective Date of 15 new Ordinary Shares of 5p each in the capital of Aegis (the "New Ordinary Shares"), credited as fully paid up, for every 4 Europreference Shares (inclusive of accrued dividend). Fractional entitlements will be rounded down to the nearest whole number of New Ordinary Shares.

(c) The New Ordinary Shares to which any person who is in (or who Aegis has reason to believe to be acting for the benefit or account of a person who is in) the United States (other than a Qualified Investor), Canada, Australia, or any other jurisdiction in which the delivery of New Ordinary Shares pursuant to the terms of such amendment would be prohibited by applicable law, would otherwise be entitled will only be issued to such person if Aegis has received evidence satisfactory to Aegis in its sole discretion that delivery of such New Ordinary Shares to such person is not prohibited by applicable law. In the absence of such evidence, such New Ordinary Shares will be sold in the market and the net proceeds of such sale, without interest, will (if they exceed £2, failing which they will be retained for the benefit of Aegis) be paid to such person and will be made available for collection from any Paying and Conversion Agent (in the case of bearer Europreference Shareholders) or paid by sterling cheque drawn in the name of and despatched by pre-paid post to the registered holder (or the first-named of joint holders) of the relevant Europreference Shares at his registered address, at the risk of the person entitled thereto.

As used herein "United States" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia. Notwithstanding the foregoing, Aegis will be entitled to issue such New Ordinary Shares pursuant to separate agreements, containing representations and warranties with respect to the investor and its receipt of such New Ordinary Shares, with certain institutions in the United States ("Qualified Investors") who are able to satisfy Aegis, in its sole discretion, that they are entitled to receive such shares pursuant to an exemption under the United States Securities Act of 1933, as amended, and other applicable securities legislation.

(d) The certificates in respect of bearer Europreference Shares should be surrendered, together with all unmatured Coupons relating thereto, prior to the Redemption Date. If the certificates in respect of any bearer Europreference Shares are not so surrendered prior to the Redemption Date, Aegis shall, as of that date, allot the Ordinary Shares which would otherwise have been allotted on redemption of such bearer Europreference Shares to a nominee of Aegis which shall hold such Ordinary Shares for the holders of such bearer Europreference Shares. Any such holders shall be entitled, at any time until 31st December, 2005, to surrender the certificates in respect of such bearer Europreference Shares, together with any Coupons relating thereto which had not matured prior to the Redemption Date, to any Paying and Conversion Agent for the Europreference Shares, and Aegis shall thereupon procure that such nominee shall transfer the appropriate number of New Ordinary Shares to such holder. After 1st January, 2006, Aegis shall be entitled immediately to sell, at the best price reasonably obtainable, any Ordinary Shares which have not been duly claimed in accordance with the foregoing, subject to and in accordance with the final three sentences of Article 155 (Untraced Shareholders) of the Articles of Association of Aegis.

ORDINARY RESOLUTION

2. Subject to the passing of the Extraordinary Resolution set out above in this Notice, and in accordance with Clause 12(B) of the Deed Poll dated 11th December, 1989 made by Aegis for the benefit of holders of the Europreference Shares (the "Original Deed Poll"):-

THAT, subject to satisfaction or waiver of the other Conditions, this Meeting hereby approves and sanctions the amendment of the Original Deed Poll in accordance with the draft dated 19th October, 1993 of a Supplemental Deed Poll (copies of such draft document having been deposited with Aegis Finance and the Paying and Conversion Agents for the Europreference Shares for inspection by Europreference Shareholders prior to this meeting and a copy of such draft document being produced to this Meeting and initialled by the Chairman for the purposes of identification), pursuant to which Aegis will (in lieu of its existing obligations under the Deed Poll) covenant to perform the obligations referred to in the Extraordinary Resolution.

VOTING AND QUORUM

The attention of Europreference Shareholders is particularly drawn to the fact that in order to be passed, the Extraordinary Resolution must be approved by the affirmative vote of holders of Europreference Shares representing more than fifty per cent. of all Europreference Shares in issue and the Ordinary Resolution must be passed by not less than two-thirds of the holders of Europreference Shares present at the Meeting (or any adjournment thereof) in person or by proxy.

1. A holder of bearer Europreference Shares or option receipts issued by a Paying and Conversion Agent in respect of bearer Europreference Shares may, not later than 48 hours before the time fixed for the Meeting (or, if applicable, any adjournment of the Meeting), deposit such bearer shares or option receipts with, or arrange for such bearer shares or option receipts to be held to the order or under the control of, a Paying and Conversion Agent for the purpose of obtaining a voting certificate or appointing a proxy to attend and vote at the Meeting in accordance with its instructions.

A holder of registered Europreference Shares or option receipts issued by a Paying and Conversion Agent in respect of registered Europreference Shares may appoint a proxy by executing and delivering a form of proxy in the English language to The Royal Bank of Scotland (I.O.M.) Limited (the "Registrar") at P.O. Box 151, Victory House, Prospect Hill, Douglas, Isle of Man IM99 1NG not later than 48 hours before the time fixed for the Meeting or, in the case of a corporation, may appoint a representative by a resolution in the English language of its directors or other governing body. A form of proxy must be signed by the holder or, in the case of a corporation, must be executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

Europreference Shares or option receipts so deposited or held will not be released until the earlier of the conclusion of the Meeting or, if applicable, any adjournment of the Meeting or any poll taken on any resolution proposed thereat (whichever shall be the later) and either the surrender of the voting certificate(s) to the Paying and Conversion Agent who issued the same or (not less than 48 hours before the time for which the Meeting or, if applicable, any adjournment of the Meeting is convened) either surrender of the voting instruction receipt issued in respect of such shares or option receipts to the Paying and Conversion Agent who issued the same or, in the case of voting certificate(s) issued in respect of bearer Europreference Shares or option receipts in respect of bearer Europreference Shares, such shares or receipts, as the case may be, cease to be held to the order or under the control of the relevant Paying and Conversion Agent.

Europreference Shareholders whose shares are held through accounts with the Operator of the Euroclear System or Cedel S.A. may give voting instructions in accordance with the procedures notified by them.

2. The quorum required at the Meeting is two or more persons present holding Europreference Shares or voting certificates or being proxies or representatives, and being or representing in the aggregate the holders of not less than one-half of the Europreference Shares for the time being outstanding. If, within 30 minutes from the time appointed for the Meeting, a quorum is not present, the Meeting will stand adjourned (for such period, being not less than 21 days nor more than 42 days, and to such time and place as may be appointed by the Chairman of the Meeting) and the Extraordinary Resolution and the Ordinary Resolution will be considered at that adjourned meeting. At least 10 days' notice of any adjourned meeting will be given to the Europreference Shareholders. At the adjourned meeting, two or more persons present holding Europreference Shares or voting certificates or being proxies or representatives (whatever the number of Europreference Shares so held or represented) shall form a quorum and shall have power to pass any resolutions.

3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by Aegis, or by one or more persons holding Europreference Shares or voting certificates or being proxies or representatives. On a show of hands every person who is present in person and is the registered holder of a registered Europreference Share or his representative or produces a bearer Europreference Share or an option receipt or a voting certificate, or who is a proxy, shall have one vote. On a poll every person who is so present shall have one vote in respect of each bearer Europreference Share so produced or represented by a voting certificate so produced or in respect of which he is a proxy or a registered holder or the representative. Any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way. In the case of joint holders of a registered Europreference Share, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.

4. To be passed at the Meeting or at any adjournment thereof, the Extraordinary Resolution requires a majority in favour consisting of more than 50 per cent. of the Europreference Shares in issue. The Ordinary Resolution requires that the Extraordinary Resolution be passed and that not less than two-thirds of the holders of Europreference Shares present at the Meeting in person or by proxy vote in favour of the Ordinary Resolution. If passed, the Extraordinary Resolution and the Ordinary Resolution will be binding upon all the holders of Europreference Shares, whether or not present at the Meeting and whether or not voting, and upon all the holders of coupons relating to bearer Europreference Shares (and all unmatured coupons will become void) and holders of the Europreference Shares and such coupons shall be bound to give effect thereto accordingly.

GENERAL MEETING OF AEGIS FINANCE IN CURAÇAO

A General Meeting of Aegis Finance has been convened for 10.30 a.m. (Curaçao time) on 12th November, 1993 at Polarisweg 35, Curaçao, Netherlands Antilles. At such meeting, Group Carat (Nederland) B.V. will, as the holder of all the issued common Shares "A" of Aegis Finance and subject to the passing of the Extraordinary Resolution set out above at the meeting of Europreference Shareholders convened by the above Notice (or, if applicable, any adjournment of the Meeting), adopt the amendment to the Articles of Incorporation of Aegis Finance contemplated by the Extraordinary Resolution.

Europreference Shareholders have no right to vote at the General Meeting but may attend thereat and address such meeting if they wish to do so. A formal notice of this meeting will be published not less than 21 days before the date fixed for the meeting in the Curaçao *Amigoe* and in *The Financial Times*.

AVAILABILITY OF DOCUMENTS

Voting certificates and voting instruction forms for use by bearer Europreference Shareholders and copies of the Circular (which sets out details of the Refinancing and of the background to them) may be collected at the specified office of any of the Paying and Conversion Agents set out below and bank depositories of the shares held in Euroclear or Cedel S.A. A Europreference Shareholder will be required to produce evidence satisfactory to the relevant Paying and Conversion Agent as to his status as such a holder in order to collect such documents.

Copies of the Circular and Forms of Proxy for use by registered Europreference Shareholders have been posted to them at their registered addresses.

Copies of the following documents are available for inspection at the specified office of any of the Paying and Conversion Agents set out below, at the registered offices of Aegis and Aegis Finance set out below and at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB, during normal business hours on any weekday (Saturdays and public holidays excepted) up to the Effective Date (as that term is defined in the Circular):

(a) the Articles of Incorporation of Aegis Finance and the Resolutions of the Board of Managing Directors of Aegis Finance passed on 8th November and 16th November, 1989 (together comprising the terms of issue of the Europreference Shares) and of the Deed Poll dated 11th December, 1989 made by Aegis;

(b) the Notice of the General Meeting of Aegis Finance to be held on 12th November, 1993 in Curaçao, referred to above; and

(c) the drafts of the amendment to the Articles of Incorporation of Aegis Finance referred to in the Extraordinary Resolution set out above and of the Supplemental Deed Poll referred to in the Ordinary Resolution set out above.

PRINCIPAL PAYING AGENT AND CONVERSION AGENT

Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, L-2955 Luxembourg

PAYING AND CONVERSION AGENTS

Kredietbank N.V.
Arenbergstraat 7
B-1000 Brussels

Kredietbank N.V.
City Tower (Level 7)
40 Basinghall Street
London EC2V 5DE

This notice is important. If Europreference Shareholders are in any doubt as to the action they should take, they should consult their stockbroker, lawyer, accountant or other professional adviser without delay.

20th October, 1993

AEGIS (NETHERLANDS ANTILLES) FINANCE N.V.

Registered Office: Polarisweg 35, Curaçao, Netherlands Antilles

Registered Office of Aegis Group plc: 6 Eaton Gate, London SW1W 9BL

INTERNATIONAL CAPITAL MARKETS

Rate-cut hopes kept alive as Bundesbank eases repo

By Conner Middelmann in London and Patrick Harverson in New York

THE small drop in the Bundesbank's rate for 14-day securities repurchase agreements and a slowdown in German money supply growth kept rate-cut hopes alive, lifting prices in the German bond market and most of its European neighbours.

Initially, traders were disappointed by the three basis-point drop in the repo rate to 6.67 per cent and the 7.0 per cent September M3 rate following market talk of a repo easing of up to 10 basis points and M3 around 6 per cent.

GOVERNMENT BONDS

However, the Bundesbank's conciliatory tone on inflation and its liquidity injection at the repo were seen to indicate more near-term easing.

"It reinforces our view that they want to steer the repo rate lower in the next few weeks," said Mr Craig Shute, bond market analyst with Bear Stearns.

However, most market participants did not expect the Bundesbank's Central Bank Council to cut key rates today.

■ FRENCH bonds dipped on disappointment over the small German repo easing, which was seen to give the Bank of France little room to cut rates at today's repo. However, prices remained underpinned by Bunds' strength and the December notional bond contract ended 0.18 point higher at 124.70.

■ UK gilts continued Tuesday's rally, lifted by the German repo drop and by UK economic data which underpin hopes for non-inflationary growth.

The long gilt contract hit another high at 115½ and closed at 115⅜, up ⅝ on the day.

The Bank of England announced the sale of £400m in tranches of existing index-linked bonds for dealing from today: £150m of the 2½ per cent stock due 2003 and £250m of 2½ per cent stock due 2020.

■ DANISH bonds rose sharply on fresh easing hopes, with the 10-year benchmark bond rising 0.60 point to 111.27. Its yield gap over bunds shrank to 54 basis points from 59 on Tuesday.

■ SPANISH bonds posted sharp gains as the currency's strength and the German repo easing spurred hopes for further cuts in Spanish interest rates.

The Bonos contract in Madrid rose 0.58 point to 103.65.

■ AT its first government bond auction, Luxembourg sold LFr3.845bn of 6.5 per cent bonds due October 2003.

The weighted average auction yield was 6.185 per cent.

■ JAPANESE government bonds hit six-year highs, spurred by heavy institutional buying and the drop in the three-month certificate-of-deposit rate to a record low of 2.40 per cent – some 10 basis points below overnight money rates.

The December JGB futures contract rose 0.54 point to 113.74.

■ US Treasury prices were mixed in light trading volume yesterday morning as dealers awaited the afternoon announcement of the Treasury note auctions.

By midday, the benchmark 30-year government bond was up $\frac{3}{32}$ at 106$\frac{1}{32}$, yielding 5.817 per cent.

At the short end of the market, the two-year note was down $\frac{1}{32}$ at 100$\frac{1}{16}$, to yield 3.823 per cent.

Longer-dated securities eased slightly at the opening in response to rising gold prices, but quickly regained their losses and moved into positive territory amid talk of further buying of Treasuries by municipal authorities refinancing their bond issues at lower rates.

Otherwise, the focus of dealers and investors' attention was on the afternoon unveiling of the next round of note auctions.

Analysts were expecting the Treasury to announce sales of $16.5bn in two-year notes and $11.5bn in five-year notes next week.

FT FIXED INTEREST INDICES

	Oct 20	Oct 19	Oct 18	Oct 15	Oct 14	Year ago	High *	Low *
Govt Secs (UK)	103.31	102.88	102.85	102.72	102.70	92.90	103.31	93.28
Fixed Interest	124.68	124.14	124.38	124.01	124.18	105.93	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Oct 19	Oct 18	Oct 15	Oct 14	Oct 13
Gilt Edged Bargains	112.1	99.5	102.6	103.1	106.8
5-Day average	104.8	103.5	108.4	106.0	103.4

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	121.5169	+0.726	6.50	6.62	6.76
BELGIUM		9.000	03/03	112.2500	-0.400	7.16	7.27	7.15
CANADA *		7.500	12/03	108.1500	+0.530	6.65	6.77	7.03
DENMARK		8.000	05/03	111.2700	+0.595	6.38	6.45	6.79
FRANCE	BTAN	5.750	11/98	101.3155	+0.131	5.44	5.53	5.62
	OAT	6.750	10/03	106.4000	+0.160	5.88	5.85	6.05
GERMANY		6.500	07/03	104.6050	+0.150	5.86	5.94	6.06
ITALY		10.000	08/03	108.7700	+0.125	8.84†	8.98	9.57
JAPAN	No 119	4.800	06/99	107.9360	+0.359	3.15	3.16	3.56
	No 157	4.500	06/03	105.4341	+0.464	3.73	3.78	4.05
NETHERLANDS		7.000	02/03	108.3900	+0.110	5.80	5.88	5.95
SPAIN		10.900	08/03	115.6800	+0.580	8.46	8.77	9.13
UK GILTS		7.250	03/98	104-20	+5/32	6.05	6.22	6.42
		8.000	06/03	108-26	+14/32	6.74	6.81	7.02
		9.000	10/08	117-20	+20/32	7.07	7.15	7.33
US TREASURY *		5.750	08/03	103-28	+6/32	5.24	5.26	5.38
		6.250	08/23	106-02	+17/32	5.82	5.91	6.05
ECU (French Govt)		8.000	04/03	111.8200	+0.150	6.33	6.45	6.57

London closing, *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

KOP to spin off mergers division

By Christopher Brown-Humes in Stockholm

KANSALLIS-Osake-Pankki, Finland's leading commercial bank, plans to transfer most of its investment banking operations to a new associated company to be half owned by management.

The company, Prospectus, will have a FM4m share capital and concentrate on new issues, mergers and acquisitions, and corporate restructuring and advice. It will have a staff of eight.

Capital market operations which require greater capital strength such as underwriting, bond trading and equity positions, will remain within KOP.

Prospectus will be 50 per cent owned by KOP and 50 per cent by its executive management and is scheduled to start business on January 1.

Mr Peter Fagernäs, the company's managing director, said KOP was hoping to broaden its customer base with a more arms-length investment banking unit.

Last year, Union Bank of Finland, KOP's main domestic competitor, spun off its investment banking operations into a unit called Mandatum.

KOP's aim is to defend the bank's market position in new issues, where it has traditionally had a market share of around 50 per cent, and build up its position in corporate restructuring and advisory work.

This year its share of new issues has been a strong 70 per cent due to its involvement in a number of internationally-directed issues for companies such as Metsä-Serla and Repola.

KOP said it was ahead of its target to halve last year's FM3.7bn loss, as it disclosed a lower deficit of FM777m for the first eight months. This compares with a FM2.53bn loss in the same 1992 period.

Falling interest rates and reduced credit losses have improved the bank's performance. Total income rose 58 per cent to FM3.35bn, while credit losses fell 18 per cent to FM1.96bn from FM2.39bn. Non-performing loans at August 31 amounted to FM8.1bn, FM985m higher than at the end of 1992 but FM115m down from the end of April.

Mr Pertti Voutilainen, KOP's chief executive, said: "The crisis is not yet over but the worst seems to be past. We believe it will be possible to return to profit in 1995, assuming the Finnish economy gains momentum as expected."

Hectic trading in World Bank's first D-Mark issue

By Antonia Sharpe

TRADING in the World Bank's first D-Mark global bond offering got off to a hectic start yesterday as latecomers scrambled to get a piece of the action.

The 10-year bonds were priced to yield six basis points over the 6 per cent German government bond due 2003, at the low end of the indicated price range of six to eight basis points.

INTERNATIONAL BONDS

As soon as the bonds were freed to trade, the spread rapidly narrowed to two basis points as dealers tried to execute four or five large buy orders from non-bank clients. However, the spread was expected to widen out as trading settled down.

Syndicate managers said the launch of the DM3bn issue had been a success, especially with international investors who regarded the bonds as a good way to play the German bond market without having to buy German government bonds.

They added that the liquidity of the issue was still untested. There was some concern in the market that the bonds could become illiquid over time because of the size of the deal and the good interest from retail investors.

Two large Eurobond offerings are expected to be launched over the next few weeks from new issuers which intend to become frequent users of the Eurobond market.

Urban Mortgage Bank of Sweden (UMB) plans to raise $500m through an offering of five-year Eurobonds in the next few weeks. This will be UMB's first fixed-rate offering in the Eurobond market.

The aim of the issue is to increase UMB's profile with international investors so that it can diversify its funding base. UMB raises most of its annual borrowing needs of SKr50bn in the domestic bond market. However, it intends to raise 15 per cent to 20 per cent of this amount in the international bond market in the future.

UMB has been encouraged to come to the Eurobond market by the improvement in spreads on Nordic paper over the past few months. Spreads had widened during the region's financial crisis late last year.

UMB officials, in London yesterday to talk to investors, declined to comment on pricing. A spread of 60 basis points over US Treasuries has been rumoured but some syndicate managers said a spread at that level would be too tight for a borrower with a single-A rating and a low international profile. Lead manager Nomura said the bonds would not be priced at a level where they would not sell.

Instituto Nacional de Industria (Ini), the Spanish state industrial holding company, awarded the mandate for its first Eurobond offering to Goldman Sachs and Morgan Stanley as joint bookrunners. Ini's $500m issue is likely to have a maturity of five or 10 years and be launched in the second half of November.

Among yesterday's issues, GECC became the first issuer, apart from the Asian Development Bank, to return to the dragon bond market with a $250m offering of three-year bonds. The bonds were priced to yield 18 basis points over underlying US Treasuries.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
General Electric Capt.Corp.	250	4.25	99.86R	Nov.1996	0.1875R	+18 (4¾%-96)	Lehman Brothers Asia
Sevel Argentina	100	8.50#	99.784R	Nov.1995	1.25R	+450(4¾%-96)	Citibank International
CMIC Finance & Securities(a)§	50	(3.5)	100	Nov.2003	2.50	-	Nomura International
D-MARKS							
Deutsche Hypothekenbank	500	(b)	(b)R	Nov.2003	0.325R	+32-34(6%-03)	Dresdner Bank
Credit Suisse, London Bch.(c)	500	6.25	102.40	Nov.2003	2.50	-	CSFB-Effectenbank
STERLING							
Peugeot Talbot Motor Co.(d)	50	7.625	102.575R	Dec.1997	0.25R	+80 (8¾%-97)	NatWest Capital Markets
FRENCH FRANCS							
Caisse Autonome de Refin.(e)‡	300	(e)	100R	Nov.2003	undiscl.	-	Paribas Capital Markets
ITALIAN LIRE							
Commerzbank O'seas Finance(f)	100bn	8.00	102	Nov.2003	2.00	-	Banco di Roma
ECUS							
Council of Europe(g)	100	6.375	101.57R	Nov.2001	0.30R	-5 (9½%-00)	Goldman Sachs Intl./ UBS
SWISS FRANCS							
Small Business Finance	200	4.125	102.875	Nov.2000	-	-	Swiss Bank Corp.
Heiwado Co.(h)★Φ	200	0.50	100	Nov.1997	-	-	Daiwa Secs.Bank(Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixed today: conversion premium indicated at 11-13% over 5-day average on domestic board. Puttable in Nov.1998 at 125bp over Treasuries. Callable from Nov.1996, subject to 140% rule, at par. b) Priced today. c) Initial DM400m was increased by DM100m with issue price of 102.50%. d) Fungible with the outstanding £100m. Plus 228 days accrued interest. e) Coupon pays 7% fixed annual in 1st year and 15.65% - 2 x 6-month Pibor thereafter. f) Issue launched on Monday was increased to L250bn. g) Block trade; issue launched 13/9/93 was increased to Ecu250m. Spread relates to OATs. h) Fixing: 25/10/93.

Kemper settles case with $9.75m payment

By Laurie Morse in Chicago

KEMPER Financial Services, the Chicago-based money management group, has agreed to pay $9.75m to shareholders in two of its mutual funds.

The move is to settle complaints that a Kemper portfolio manager deposited winning futures and options trades into a profit-sharing fund that benefited Kemper employees, and assigned unprofitable trades to the publicly-held mutual funds.

Kemper Financial, which is part of the Kemper Corporation insurance and financial services concern, has agreed to settle the complaints without admitting or denying the allegations. Kemper Financial manages funds of $72bn. At the time of the questionable trades, in 1987, it had $45bn under management.

Mr Charles Kierscht, Kemper Financial chairman, said the company decided to settle the case in order to resolve all outstanding issues in the matter without the costs and distractions involved in litigation.

The settlement satisfies administrative complaints against the company by the Securities Exchange Commission and the Commodity Futures Trading Commission, as well as parties to a class action lawsuit filed against the company by shareholders in the two mutual funds.

The settlement will be paid into an account that will benefit mutual fund investors.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on October 20

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	104¼	104½	+¼	5.90
Alberta Province 9⅜ 95	600	109⅝	110		4.29
Austria 8½ 00	400	117	117⅜		5.24

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	99⅞	100⅜		7.88
Genfinance Lux 9⅛ 99 LFr	1000	107¼	110½		7.46
World Bank 8 96 LFr	1000	101½	102½		7.29

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	67	1	12
Other Fixed Interest	12	3	0
Commercial, Industrial	325	219	872
Financial & Property	314	47	462
Oil & Gas	26	17	35
Plantations	3	2	3
Mines	55	23	60
Others	38	46	46
Totals	840	358	1,490

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	121	94	Anglian Water Wrts	115	-2	-	-	-	-
90	F.P.	-	121	95	Crockfords	117	+1½	W5.2	2.3	5.6	9.3
100	F.P.	-	96	93	Fleming Chinese Inv Tst	96	+2½	-	-	-	-

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -
140	Nil	22/10	34pm	24pm	Adwest	24pm	-1
6	Nil	29/11	1pm	1pm	Birkdale	1pm	
35	Nil	25/10	1pm	¾pm	Britannia	¾pm	
30	Nil	10/12	4pm	1pm	Costain	1pm	-¾
80	Nil	10/12	26pm	25pm	Fenner	25pm	
1	Nil	1/11	1pm	½pm	Flagstone	½pm	
150	Nil	15/11	11pm	2pm	Friendly Hotels	5pm	+3
150	Nil	2/11	23pm	18pm	JIB	23pm	
260	Nil	2/11	77pm	48pm	MB Caradon	77pm	
330	Nil	29/11	68pm	58pm	Mersey Docks	66pm	
8	Nil	26/10	4pm	2pm	Phoenix Timber	2pm	
2½	Nil	25/10	¾pm	½pm	Wiggins	¾pm	

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Oct. 11
- Last Dealings Oct. 22
- Last Declarations Jan. 13
- For settlement Jan. 24

3-month call rate indications are shown in Saturday editions.

Calls: Blacks Leisure, Brit. Thornton, Bula Res., Haemocell, Mid-States, Mining & Allied, Rhino, Southern Deep and Trafalgar House. Puts: Brit. Thornton, Mid-States and Mining & Allied. Put & Call: Shandwick.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	550	39½	51	61	1	12	17½
(*587)	600	4	22	33	16½	35	41

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAT Inds	475	20½	34½	-	8	17½	-
(*484)	500	8½	22	25½	22½	30½	43½

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Lonrho	120	16½	20½	23	4½	8½	10½
(*130)	130	8	12	20	6½	13½	15½

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

St James's Place net assets improve 17.2%

By Philip Coggan, Personal Finance Editor

ST JAMES's Place Capital, Lord Rothschild's financial services group, reported a 17.2 per cent rise in net assets per share in the six months to September 30.

As announced in July, the company is distributing to shareholders its 37.4 per cent holding in RIT Capital Partners, the investment trust managed by J Rothschild Capital Management. In addition, St James's Place is distributing £32.7m of cash; at September 30 values, shareholders should receive 48.7p per share in a combination of shares and cash.

St James's Place will be left with a range of financial services subsidiaries plus a portfolio of investments. The financial services subsidiaries are: J Rothschild Assurance (the life insurance group), Global Asset Management and International Financial Markets Trading (fund management groups), and J Rothschild Wolfensohn (a boutique corporate finance group).

However, these businesses make up only £38m of St James's Place's £211m of assets. The remainder is invested in international bonds and equities, with a particular emphasis on German zero coupon bonds.

Unrealised dealing gains of some £16.1m in the first half were a main reason for the rise in net assets to 126.2p a share, against 107.7p at the March 31 year-end. The directors announced last year that the company should be judged on a net asset, rather than a profit and loss basis.

However, pre-tax profits doubled from £7m to £14.1m, helped by the elimination of both investment dealing losses and start-up costs at J Rothschild Assurance. Earnings per share improved to 5.9p (3p) and the interim dividend is maintained at 1.5p.

The company added: "We continue to regard international equity markets with caution in view of the fragility of the apparent economic recovery in the US and the UK and the recessionary climate in Europe and Japan."

● RIT Capital Partners also announced its results yesterday, revealing that net asset value had risen by 12 per cent to 202.9p a share over the six months to September 30. Total net assets were £398m at the end of September.

Since March 31 RIT has sold more than three quarters of its interest in Newmont Mining, the gold mining group, realising about £114m. It has invested part of the proceeds in gold call options, a similar strategy to that followed by Sir James Goldsmith. As of September 30, RIT had a total portfolio of £468m of which £230m was in quoted equities, £61m in bonds, £91m in specialist funds, £63m in unquoted equities and £23m in property.

WH Smith may alter share structure

By David Blackwell

WH SMITH, the retail and distribution group, is actively considering the introduction of a single class of ordinary share.

Sir Simon Hornby, chairman, told the annual meeting that the board was "aware of recent moves by companies with differential voting capital to enfranchise such capital into one class of shares."

Smith has 139m B shares, each with a nominal value of 10p and a single vote, and 244m A shares, which have a nominal value of 50p and one vote. The effect is that holders of the B shares have 36 per cent of the company votes, but only 10 per cent of the equity.

This structure has been in place since the company was incorporated in 1949, when it gave Smith family members effective control of the company.

The B shares would normally be expected to trade at a premium to reflect their voting power. Smith B shares reached a 20 per cent premium in the mid 1980s, but in recent years have traded at a discount to the A shares. Some observers suggest that the reason for this could be that no-one expected enfranchisement to come under serious consideration.

Two-tier voting is increasingly being seen as anachronistic.

Other companies which had similar structures, including Great Universal Stores and Austin Reed, have recently been enfranchising their shareholders. On Tuesday Hammerson, the international property group, unveiled details of its reforms, while earlier this month Whitbread announced plans to reform its 45-year-old share structure to give equal rights to all shareholders.

Smith A shares closed yesterday at 479p, up 9p on the day. The B shares rose 6p to 98p, giving them a 2.3 per cent premium over the A shares.

See People

Law change prompts media group to run down French connection

Aegis restructures to shift gravity base

By Diane Summers, Marketing Correspondent

AEGIS' centre of gravity has, until now, been France: the London-based holding company of the Carat group could rely in the past on its French business as its main source of revenue.

However, a change in the law in France on media buying, which took effect in April, has radically changed the picture.

Yesterday's announcement of the proposed refinancing is an attempt by the company to shift that centre of gravity. For the first time Omnicom, the large US-based agency, will have a substantial interest in the company; at the same time, Aegis will use £15m of its newly-raised money to purchase the half of HMS, the profitable German media-buying company, that it does not already own.

The new French law, known as the Loi Sapin, has meant that media buyers can no longer bulk-buy advertising space at a hefty discount and sell it on to advertisers at a profit, at the same time as taking commission payments from TV companies and publishers – a system which was not visible to advertisers and resulted in very high margins for the French media buyers.

As Mr David Forster of Smith New Court, points out: "The result has been that margins in France have come ratting down."

Media-buying revenues, overall, could be eroded by up to 40 per cent in France – last year the country accounted for nearly £792m of Aegis's £2.84bn turnover.

The development has called into question the entire group's capital structure. "The group's profit base and cash flow are now insufficient to service the existing level of bank debt, meet deferred consideration obligations and pay the fixed dividend and interest obligations on the Europreference shares and the stock," said Aegis yesterday.

The main features of the proposed refinancing will, in effect, mean £61.2m of new equity finance: £15m from Warburg Pincus, the US investment institution; £15m from Omnicom; £15m from Electra; and £16.2m from SFEC.

The restructuring will result in the conversion into ordinary shares of £72m of Europreference shares, £25m of stock and £7m of 55 per cent preference shares. There will also be an exchange of warrants for ordinary shares and cancellation for voting deferred shares.

Aegis said the refinancing would strengthen the group's finances by increasing substantially its equity base, reducing fixed dividend and interest obligations and removing about £30m of deferred liabilities.

"Payment of the dividend on the Europreference shares, due on December 13, would significantly worsen the group's financial position and it is highly unlikely that the group would be able to make such payment," it said.

The board had tried to structure the refinancing so that each party, including existing ordinary shareholders, would retain an interest "which will allow them to participate on an equitable basis in the future growth of the company".

Mr Forster, however, was not convinced yesterday. "It's not a very happy situation," he said. "An awful lot of people have made an awful lot of money out of the business over the years. The only people to have consistently suffered are the ordinary shareholders." From 170m shares in issue now, there will be 934m shares after it has been fully diluted.

Ms Lorna Tilbian, at SG Warburg, agreed that the ordinary shareholders had been "diluted out of sight".

While she was still concerned about the operation of the French part of the company, she said that following yesterday's events the "risk is very much diminished".

She is also watching Omnicom's long-term involvement: its 9 per cent stake could rise to 13 per cent if it exercised its warrants and there is no "standstill" agreement not to proceed further.

F Cooper jumps 27% thanks to productivity and cost control

By Tim Burt

FREDERICK COOPER, the manufacturer of architectural hardware and specialist coatings, announced a 27 per cent increase in pre-tax profits to £4.12m for the year to July 31.

The West Midlands-based group said the growth in profits, the first since 1989, was due to cost controls and improved productivity.

Mr Ed Kirk, chairman and chief executive, said the outcome – achieved on turnover up from £82.8m to £84.3m – reflected the group's success in winning a greater market share for its products rather than a significant upturn in demand.

The growth in market share was achieved mainly overseas, where in the second half exports rose by 12 per cent to £17.7m.

For the year, overseas sales accounted for 21.4 per cent (19 per cent) of turnover, including £347,000 from Spectra, the US metal finishing company acquired in June.

Although the \$7m (£4.6m) cash acquisition had been expected to increase gearing to about 60 per cent, Mr Kirk said improved profits and a squeeze on margins had enabled the group to restrict year-end borrowing to £6.8m (£6m) for gearing of 42.3 per cent.

Improved sales overseas were undermined, however, by flat demand in the UK where turnover fell 1 per cent.

Profits from the architectural products division were also hit by a £150,000 loss on a contract for balustrading – an activity from which the group now intends to withdraw.

Nevertheless, tight cost controls and a 2.5 per cent reduction in the workforce meant the company was well placed to increase its market share further, he added.

That cautious optimism enabled the group to recommend a final dividend of 1.5p (0.5p), bringing the total to 2.2p (2p), payable from earnings per share ahead to 3.4p (1.8p) basic and 5.8p (4.8p) fully diluted.

UDO shows decline to £3.73m and looks for acquisitions

By Catherine Milton

UDO HOLDINGS, which supplies drawing office equipment and reprographic services, saw pre-tax profits fall from £5.71m to £3.73m over the year to July 31 on reduced sales of £48.5m, against £51.7m.

Earnings per share fell to 8.99p (13.66p); the recommended final dividend, however, goes up to 5.13p giving a total of 7.2p (6.7p). "The dividend remains covered and the company has substantial cash balances," said Mr Graham Ede, finance director.

Mr Mike Wright, chairman, said the company had tried to offset declining demand for diazo equipment – used to copy large format drawings using light sensitive paper or film – by focusing on higher technology, higher margin products as part of a continuing programme of measures, intended to counter recession in its main markets.

Operating profits, including a small gain on the disposal of fixed assets, reached £2.74m (£4.34m).

UDO generated £1.5m in cash, bringing cash balances to £14.8m (£13.3m) at the year end, about 50 per cent of net assets, with which it plans to hit the acquisition trail. Interest receivable came to £992,000 (£1.37m).

Mr Wright said: "Although no acquisitions were made during the year the group is actively looking at potential candidates in the UK and Europe."

Havelock back in the black

By James Buxton, Scottish Correspondent

HAVELOCK EUROPA, the storefitting company, returned to the black after two years of losses with profits of £505,000 pre-tax in the first half of 1993, compared with a deficit of £1.6m.

The outcome was achieved on turnover of £12.6m (£16.1m), a fall which the Fife-based company attributed to a deliberate policy of avoiding low margin business, and to its practice of recording sales only when contracts are completed.

Once again, no interim dividend is declared but a final of 1.5p is proposed for the full year.

The company lost £2.4m in 1991 and £3m in 1992 and raised £2.97m via a placing and open offer last October. It also embarked on a programme of reducing overheads, and has cut staff levels from 831 in 1991 to 583.

Mr Norman Lessels, chairman, said the latest result showed the company could be profitable on lower turnover and said it represented the first stage in its recovery.

Mr Lessels said the company had a heavy workload in the second half of the year which, with sharply improved efficiency at the Nottingham factory, should result in "a very strong outcome for the year."

Earnings per share were 1.9p (restated losses of 10p).

£100m Guinness warrant issued

By Christopher Price

THE LONDON stock market's appetite for covered warrants was further whetted yesterday when NatWest Securities issued a £100m warrant on Guinness, the brewing group.

NatWest is the third stockbroker in the past two weeks to take the unusual step of using warrants as a means of tempting investors into areas of the market they might otherwise avoid.

A warrant gives investors the option to buy the underlying shares at any time during the exercise period at the price on the day of the warrant's purchase. The Guinness warrant, which can be exercised on a 2-for-1 basis over the next 18 months, yesterday opened at 22¼p.

The move comes at a time when Guinness shares have been under pressure.

There has been concern over the fortunes of LVMH, the French luxury goods group which has a 24 per cent cross-holding in Guinness.

Dull global spirits trading has also dampened investor enthusiasm. Guinness shares have slipped steadily from a 1992 high of 558p.

Yesterday, they closed 8p up at 413p.

NatWest said it believed the shares had reached a nadir, and the warrant was an opportunity for investors to tap into the recovery potential of one of the drinks sector's worst performing stocks.

Two weeks ago, BZW issued a £100m warrant for the food retail sector, followed by SG Warburg last week on multi-media stocks.

Although warrants have the advantage of being tradeable, the market being made by the issuer, their rarity owes much to the culture of UK fund managers who complain that trustees are generally wary of using derivative instruments.

Save & Prosper Linked cuts first dividend

Save & Prosper Linked Investment Trust has declared a first interim payment of 19.6p per income share for the three months to October 7, against 30.25p.

Net revenue for the three months was £995,000 (£1.59m) resulting in a loss after the dividend payment of £33,800 (£319 profit).

Lamont £5.9m textile expansion

Lamont Holdings has acquired Cunningham Johnson for a maximum £5.92m cash.

The price depends on net assets of Cunningham, at completion, exceeding or falling below £1.82m as determined by accounts.

In addition Lamont has paid £960,000 to purchase, at face value, a loan note obligation of Cunningham.

Established in 1986, Cunningham is primarily engaged in the commission printing of furnishing fabrics and operates from two sites near Rochdale, Lancashire.

The business is similar to that carried out by Alexander Drew which was acquired by Lamont in June 1992.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Airflow Streamlines, Bruntcliffe Aggregates, Chesterfield Properties, Ferguson, Fleming Cont European, Jarvis, London Atlantic Inv Trust, New Throgmorton Trust (1983), Ocean Wilsons, Parkland Textile.

Finals- Air London, Albert Fisher, Bullers.

FUTURE DATES

Interims-	
Bank of Ireland	Nov 11
Development Securities	Oct 27
EW Fact	Oct 29
Glencheveton	Oct 26
Henderson Administration	Nov 10
Oriflame	Dec 6
PEX	Nov 1
Finals-	
Broadgate Inv Trust	Oct 29
Data General	Oct 26
Euromoney Publications	Nov 4
High-Point	Oct 28
North American Gas	Oct 28

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alexandra W'wear	int	2.1	Dec 3	1.8	-	3.8
Berry Birch §	int	2.1	Dec 3	2	-	5.3
Brit & Amer Film	int	4.275	Nov 26	3.8	-	12.05
Castle Comms §	fin	4.5	Jan 17	4.5	8.5	8.5
Cooper (Fred)	fin	1.5	Feb 4	0.5	2.2	2
English National	int	5☆	Dec 3	5	-	16.2
English National	int	2.55‡‡	Dec 3	2.55	-	11.3
St James's Place	int	1.5	Dec 1	1.5	-	3
Smiths Inds	fin	7.55	Jan 7	7.15	11.85	11.25
Split	int	19.6大	Dec 1	30.25	-	-
UDO	fin	5.13	Dec 10	4.76	7.2	6.7
Wensum §	int	0.625	Dec 17	0.575	-	1.825

Dividends shown pence per share net except where otherwise stated. §USM stock. ☆ Per preferred share. ‡‡Per deferred share. 大First interim.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Prices for trading on 21.10.93 Pool purchase price £/MWh	Final Prices for trading on 20.10.93 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.07	18.08	18.08
0100	18.05	18.08	18.08
0130	18.54	18.08	18.08
0200	25.51	18.07	18.07
0230	25.51	18.07	18.07
0300	25.51	18.07	18.07
0330	25.51	18.08	18.08
0400	25.51	18.08	18.08
0430	25.51	18.08	18.08
0500	18.48	18.08	18.08
0530	18.48	18.05	18.05
0600	18.56	18.05	18.05
0630	25.31	18.08	18.08
0700	25.48	21.84	24.46
0730	28.39	24.72	27.54
0800	38.25	25.32	28.15
0830	39.55	28.05	31.89
0900	39.00	28.10	31.95
0930	38.47	28.14	32.01
1000	30.12	31.88	34.73
1030	28.92	31.85	34.71
1100	28.02	31.83	34.69
1130	28.08	31.85	34.72
1200	28.96	31.88	34.77
1230	28.81	31.87	34.74
1300	28.05	31.82	34.67
1330	26.34	25.89	28.73
1400	25.74	25.87	28.70
1430	25.72	25.29	28.12
1500	25.72	25.29	28.12
1530	25.72	25.29	28.12
1600	25.75	25.31	28.14
1630	28.21	25.34	28.19
1700	29.28	31.58	34.44
1730	29.82	31.57	34.42
1800	28.97	29.76	32.60
1830	44.84	26.62	28.35
1900	44.93	28.54	28.39
1930	44.58	32.98	35.81
2000	32.02	32.97	35.82
2030	25.51	32.95	35.79
2100	25.47	25.29	28.12
2130	25.47	25.21	28.04
2200	25.46	24.72	27.54
2230	25.46	24.21	27.04
2300	25.46	23.69	26.52
2330	18.40	18.54	18.54
2400	18.11	18.11	18.11

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per Megawatt-hour, rounded to two decimal places. [illegible] Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. [illegible] Energy Settlements and Information Services Limited.

Race on for new herpes drug

Paul Abrahams considers the battle between Wellcome and SB

YESTERDAY'S barrage of clinical data from SmithKline Beecham and Wellcome was only the first salvo in the struggle to succeed Zovirax, Wellcome's best-selling herpes and shingles treatment.

The drug, the world's eighth top-selling medicine, is expected to generate revenues this year of £745m, achieving a growth rate of 27 per cent.

Its growth, however, is set to slow. Zovirax's German patents expired this year, while those in the UK and US run out in 1995 and 1997.

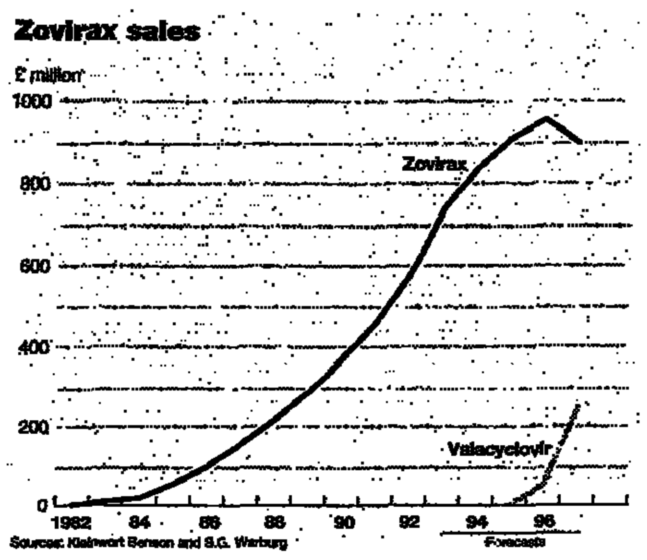
Those developing Zovirax successors include Wellcome itself, with Valtrex, also known as valaciclovir; SmithKline Beecham with famciclovir; and Bristol-Myers Squibb of the US and the Japanese group Nippon Shoji with Usevir or BVaraU.

Zovirax has always been a tempting target but efforts to develop successors have been held back by the toxicity of most anti-viral drugs.

This safety problem was highlighted last week when Nippon Shoji halted Japanese supplies of BVaraU after only a month on the market.

Three patients taking the medicine had died because they were simultaneously receiving fluorouracil, an anti-cancer agent.

The company closest to launching a competitor is SmithKline Beecham. Famciclovir has been submitted to regulatory authorities around the world and should be licensed for the treatment of shingles in the first half of 1994. A submission for genital herpes is likely to be made in the next few months, with a possible launch at the end of next year.



The fiercest battleground between Wellcome and SmithKline Beecham could be the market for post-herpetic neuralgia, the long-term pain which occurs in about 30 per cent of shingles patients.

Although Zovirax is effective in treating the immediate pain associated with shingles, its effectiveness in long-term neuralgia is not fully established. Data presented yesterday by SmithKline Beecham suggested famciclovir was effective in this area.

The marketing battle between the two companies for the immediate treatment of shingles will be technical and hard. Lehman Brothers, the broker, estimates worldwide sales of the Zovirax shingles application could be about $500m (£330m) a year.

SmithKline Beecham sales representatives will be able to point to clinical trials published last month that compared its drug with Zovirax against shingles. The data showed famciclovir was no more effective than Zovirax, but only needed to be taken three times a day. One of Zovirax's weaknesses is that it needs to be taken five times a day.

Famciclovir will also have the benefit of SmithKline Beecham's huge salesforce which outnumbers that of Wellcome.

The company may also price aggressively. SmithKline Beecham's recent launch of Paxil, its anti-depressant, was notable by this tactic. However, the group's ability to undercut in the US may be limited, because Zovirax's American price is already low.

Wellcome's sales teams will attempt to counter SmithKline Beecham by pointing to Zovirax's safety record. It has been used by more than 30m people over the last 15 years. In the clinical trials, famciclovir appeared to generate a higher incidence of nausea and headache than Zovirax.

Meanwhile, the window of opportunity for SmithKline Beecham may be narrow. Wellcome is rapidly developing its own successor compound. Data about the drug was presented for the first time yesterday and showed it was more effective than Zovirax for long-term pain associated with shingles. Another trial for genital herpes showed Valtrex twice a day was as effective as Zovirax five times a day.

Wellcome expects to submit Valtrex for approval to treat shingles during the first half of next year. Since the compound is so similar in structure to Zovirax, the drug should have few safety problems and could be licensed quickly.

Lehman Brothers believes Valtrex could be launched in some markets by the end of next year. Submissions to treat genital herpes are likely at the end of 1994 or beginning of 1995. Such early launch dates would leave little time for SmithKline Beecham to establish its drug.

Lehman Brothers estimates famciclovir will not capture more than 25 per cent of the shingles market. Its share of the genital herpes market is unlikely to exceed 15 per cent or about $75m. This means famciclovir annual sales will be about $200m in 1996.

The additional marketing by the two companies could expand the market. A recent study suggested only 28 per cent of shingles patients receive anti-viral therapy.

Analysts reckon Zovirax sales could reach $1.5bn within three years, while those for Valtrex could achieve $150m. On the basis of these estimates, the herpes and shingles market could grow from $1.15bn last year to $1.9bn by 1996.

The struggle between SmithKline Beecham and Wellcome could have two winners.

Alexandra leaps to more than £2m

By Catherine Milton

ALEXANDRA Workwear, the uniform supplier, announced pre-tax profits more than doubled from £672,000 to £2.01m for the 28 weeks to August 14.

Earnings per share rose to 4p (1.3p). The directors declared an interim dividend of 2.1p (1.8p) on the back of improving trading results and continued reduction in borrowings.

Turnover rose to £31.9m (£30.9m) as the mix of business changed. Mr Julian Budd, finance director, said: "A year ago we were in a position of undertaking strategic sales giving very low margins, but keeping the factories going and allowing us to reduce stocks to levels commensurate with activity."

Stocks had now fallen and sales had increased on the back of higher turnover in the core business – stockback service to small businesses which require a 24 or 48 hour delivery.

Towards the end of the first half Alexandra opened new shops in Hanley, Northampton and Solihull as well as relocating an existing shop in Croydon. Further sites are being considered, the company said.

"All areas of the group have contributed to the results which have been achieved through greater efficiency and a better sales mix despite their being no fundamental improvement in trading conditions," said Mr Gerald Dennis, chairman.

He said there had been some signs of increased retail activity and the company has resumed its retail investment programme: "We look forward with confidence to the second half of the year where so far all areas of the group are maintaining their first half performance."

Borrowings fell to £7.59m (£13.5m) at the half way stage and the company anticipates further falls by the year end. Interest charges declined to £463,000 (£1.09m).

The company had £7.3m in bank loans and overdrafts as well as £289,000 in hire purchase contracts.

Gearing fell to 34 per cent compared with 46 per cent in the comparative period.

Wensum recovery

The recent improvement in fortunes at Wensum continued in the six months to July 31.

The USM-quoted men's wear and corporate clothing company reported pre-tax profits of £56,000 (losses of £46,000).

Turnover improved from £2.83m to £4.12m. Earnings per share came out at 0.56p (losses 0.43p) and the interim dividend is raised from 0.575p to 0.625p.

The company said that a large part of its new clothing project should completed in the second half.

Forward Technology losses double to £1.2m

By John Murrell

EFFECTS OF rationalisation pushed losses at Forward Technology Industries up from £539,000 to £1.23m pre-tax for the half year to June 30.

Measures taken were in connection with the continental European recession which had affected French and German markets which account for 50 per cent of group sales.

Mr Brian Chilver, chairman, said the company had taken extensive remedial action to reduce costs and personnel and had charged £800,000 against the opening half's results – the total exceptional costs anticipated for the 1993 year.

He pointed out that recession was slowing progress towards "satisfactory profits" and that this would be inevitably reflected in full year results.

Group turnover for the half year rose to £20.1m (£17.7m). Electronics accounted for £16.1m, of which £2.1m (£13m) related to currency changes.

Electronics returned profits of £223,000 (losses £53,000) but sound and vision incurred losses of £58,000 (profits £132,000).

Losses per share widened from 1.6p to 3.6p.

Castle Communications rises to £1.5m

By Jean Marshall

REDUCED interest charges and the absence this time of exceptionals helped lift profits at Castle Communications, the USM-quoted video and audio group, by 11.6 per cent, from £1.36m to £1.51m pre-tax, over the year to June 30.

Mr Terry Shand, chairman, said the results were mixed, with turnover up from £31.6m to £33.4m, but operating profits down at £2.48m (£2.76m).

In the UK, trading conditions for the audio division, which accounts for more than 70 per cent of group turnover, remained difficult, Mr Shand said.

Video product sales fell as a consequence of Castle's concentration on own-label requirements of the multiples rather than its general catalogue sales.

However, Mr Shand said the group had substantially increased its investment in video tangibles during the year by commissioning special interest programming mainly for WH Smith's own-label requirements. Benefits from that investment should come through in 1993-94, he added.

The pre-tax result was struck after net interest payable of £966,000 (£1.2m).

Earnings per share advanced to 15.1p (10.4p) and the proposed final dividend is unchanged at 4.5p, which maintains the total at 8.5p.

BARCLAYS INVESTMENT FUNDS (LUXEMBOURG)
Société d'Investissement à Capital Variable
("the Company")
Registered Office:
Centre Mercure
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L-1611 LUXEMBOURG, RC Luxembourg 31439

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders is to be held at the registered office of the Company on Monday, 15th November 1993 at 11.30 am (or as soon thereafter as it may be held) for the following purposes:

1. To receive and adopt the Directors' Report of the Auditor for the year to 31st July 1993.
2. To receive and adopt the Statement of Net Assets and the Statement of Operations for the year to 31st July 1993.
3. To grant a discharge to the Directors in respect of their duties for the year ended 31st July 1993.
4. To grant a discharge to the Auditors in respect of their duties for the year ended 31st July 1993.
5. To re-elect Messrs Dennis, de Moutis, Pauly and Wilmart as Directors of the Company.
6. To appoint Messrs Brook, Fox and Pyrke as Directors of the Company.
7. To re-appoint Messrs Price Waterhouse as Auditors.

Voting

Shareholders are advised that in accordance with the Articles of Incorporation the Annual General Meeting of Shareholders will require a quorum of 10% of the shares outstanding.

Voting Arrangements

In order to vote at the meeting the holders of Bearer shares must deposit their shares not later than 12th November 1993, either at the registered office of the Company, or with any bank or financial institution acceptable to the Company, and the relative Deposit Receipts (which may be obtained from the registered office of the Company) must be forwarded to the registered office of the Company to arrive not later than 12th November 1993. The shares so deposited will remain blocked until the day following the meeting or any adjournment thereof.

The holders of registered shares need not deposit their certificates but can be present in person or represented by a duly appointed proxy.

Shareholders who cannot attend the meeting in person are invited to send a duly completed and signed proxy form to the registered office to arrive not later than 12th November 1993.

Proxy forms will be sent to registered Shareholders with a copy of this Notice and can be obtained from the registered office.

The Board of Directors.

COMPANY NEWS: UK

Pathfinder for placing and public offer indicates market capitalisation of £300m

Gartmore forecasts advance to £24.5m

By David Blackwell

GARTMORE, the investment fund manager owned by Banque Indosuez of France, yesterday forecast a 64 per cent rise in pro-forma profits to £24.5m before tax for the 1993 year in its pathfinder prospectus.

Banque Indosuez, which acquired Gartmore from British and Commonwealth, the failed financial services group, in 1990 for about £130m, is to float 25 per cent of its wholly owned subsidiary next month.

Gartmore itself will not be issuing any new shares.

The shares to be sold will be divided between a placing, primarily with institutions, and a public offer.

Gartmore is expected to have a market capitalisation of about £300m.

Mr Antoine Jeancourt-Galignani, Banque Indosuez chairman, yesterday described Gartmore as "an outstanding success" over the past three years.

He said a London listing would give Gartmore a higher profile both in the UK and internationally, as well as providing opportunities for further growth.

Mr Paul Myners, executive chairman of Gartmore, said that its investment record was an important and continuing asset. While Gartmore had grown to be the fourth biggest investment fund manager in the UK pension fund sector, he could see no restraints on further growth in market share.

Mr Myners believed the group, which employs just over 400 people, could attack international markets using existing resources.

At the end of last year Gartmore had funds of £12.8bn under management. This had grown to £16.1bn at the end of the first half and £18bn at the end of September.

No restraints on further expansion of market share and scope to attack international markets: Andrew Brown (left) with Paul Myners and David Watts (investment director)

Pension funds accounted for 77 per cent of the business at end-June, with unit trusts and offshore funds taking 7 per cent, investment trusts 5 per cent, and others 11 per cent.

Pro-forma pre-tax profits were struck after non-recurring items, including interest on a loan to Banque Indosuez, now repaid.

Mr Andrew Brown, finance director, said the company would come to the market with no debt and no goodwill.

Pro forma earnings per share for 1993 were put at 8.1p, and the notional net dividend at 4p.

The directors and some employees of Gartmore will be acquiring shares worth some £8m at the offer price through the conversion of a share option scheme put in place by Banque Indosuez, which has guaranteed not to sell any further shares for 12 months.

Kleinwort Benson are sponsoring the flotation and Cazenove are brokers.

See Lex

NEWS IN BRIEF

CUPID has signed an exclusive licensing agreement to make and distribute through its Pronuptia stores, a range of wedding dresses and accessories to be designed by Mr Jeff Banks.

ESTATES & AGENCY: The contract to sell a 10-acre freehold in Plymouth, Devon, to J Sainsbury has become unconditional. The consideration is £18.1m cash and will be used to repay short-term borrowings. The site was revalued at £7.5m in E&A's accounts for the year to June 30 1992.

HILLSDOWN HOLDINGS subsidiary, FMC, has sold its Plymouth abattoir to Plymouth Quality Meat for an undisclosed sum.

INCHCAPE arm, Inchcape Pacific, has formed a joint venture with Zuellig Group of the Philippines to develop a consumer products marketing and distribution business there.

JIB GROUP: Rights issue 98.7 per cent taken up. Matheson & Co, Mathesons Investments, JIB Holdings (BVI) and Boxwick, all wholly owned subsidiaries of Jardine Matheson, have taken up their rights; their combined shareholdings remain at 62.5 per cent.

MALAYA GROUP, the motor retail group, has been appointed sole concessionaire for Bugatti cars. Bugatti recently acquired Group Lotus from General Motors.

McLAUGHLIN & HARVEY: Its receivers have sold the fixed assets of the group's Northern Ireland division to TBF Thompson.

NORTHERN FOODS is buying Banketbakkerij Vanderheul Assen, a Dutch speciality biscuit business, for Fl 11.9m, including existing borrowings. In 1992 it had turnover of almost Fl 17m.

SCOTIA HOLDINGS: Of the 14m new ordinary shares proposed to be issued to raise £40.6m, 2.76m have been allocated to non-UK investors and 11.24m to UK investors. Of the latter, 5.6m shares have been allocated to clients of Kleinwort Benson Securities and Hoare Govett Corporate Finance. A further 5.6m shares have been allocated to intermediaries, independent market-makers and employees of Scotia. Applications from employees and independent market-makers have been met in full. Intermediaries will receive 97 per cent of their applications.

SHARPE & FISHER has bought the builders' merchant division of Phillips & Son (Alton) for £2.15m cash.

TELEMETRIX's 58 per cent-owned subsidiary, Nasdaq-quoted GTI Corporation, lifted sales in the third quarter of 1993 by 28 per cent to $32.8m (£21.7m); net income rose 43 per cent to $3.56m; and earnings per share advanced 35 per cent to 35 cents.

TICKETING GROUP has completed the placing of 40m ordinary shares of 0.5p each at 2.04p per share. The placing, representing 4.7 per cent of the company's issued equity, will raise some £800,000 to be used for acquisitions and to provide additional working capital.

TRANSPORT DEVELOPMENT Group has bought Chambers and Son, a County Antrim-based distribution company, for £294,000.

NEWS DIGEST

Allied Textile expansion

ALLIED Textile Companies is buying Coating Applications for a maximum of £8.5m.

Lancashire-based Coating treats fabrics with PVC and polyurethane and in the year to October 31 1992 reported profits of £839,000 on turnover of £5.87m.

Allied is paying an initial £6.04m for a 91 per cent holding, satisfied by £3.69m cash, £1.19m in shares and £1.15m in loan notes.

It will enter into a put and call option on the balance, held by one shareholder, exerciseable after the determination on profits for the year to October 31 1993.

Initial consideration for the option will be £589,000, satisfied by cash or loan notes.

Shaftesbury enlarges Chinatown Estate

Shaftesbury, the property company which raised £20.8m from a placing and share offer in August, has expanded its Chinatown Estate in London's West End via the £6.4m purchase of properties in Shaftesbury Avenue and Gerrard Street.

The purchase covers a block of 10 shops as well as offices at 100-124 Shaftesbury Avenue and 36 and 39 Gerrard Street.

The properties, adjoining Shaftesbury's existing 32 property Chinatown Estate, have been acquired on long leases at nominal rents without review.

Shaftesbury has also added to its investments opposite Central Station, Glasgow, with the acquisition of the heritable interest at 96-98 Hope Street for £650,000.

The announcement prompted a 12p rise in Shaftesbury's shares to 114p.

Bennett & Fountain losses at £5.92m

Bennett & Fountain Group, the wholesaler and retailer of electrical goods which is being acquired by Marlowe Holdings in a recommended £2.1m offer, announced pre-tax losses of £5.92m for the year to June 30.

There were restated losses of £8.03m last time.

The difficult trading conditions of the first half had continued into the second, the company said. In addition, the high level of provision against bad debts had increased in the second half. The company did not as yet see any signs of improvement.

Turnover amounted to £64.7m (£66.1m). Losses per share amounted to 5.6p (7.2p).

The shares were unchanged at 2¾p. Marlowe's cash offer is 2p per share.

Losses at Whinney Mackay-Lewis rise

In the worst recession in the construction industry "in living memory" Whinney Mackay-Lewis, the USM-quoted architect and planner, saw pre-tax losses for the year to April 30 double from £435,000 to £950,000.

Turnover fell from £5.68m to £3.45m.

However, the company said that the level of enquiries had risen rapidly in the last two months and had reached a point where it was needing to take on new staff.

Operating losses were £477,000, compared with profits of £205,000. Interest charges fell to £412,000 (£477,000) and there was an exceptional charge of £61,000 (£163,000).

As part of the reduction in fixed costs it sold a property for £3.8m, which allowed repayment of borrowings.

Losses per share were 12.1p (5.1p).

Allied Irish US offshoot expands

First Maryland Bancorp, the wholly owned US subsidiary of Allied Irish Banks, boosted net profits 10.8 per cent from $24.1m to $26.7m (£17.6m) for the third quarter of 1993, lifting the figure for the nine months to September 30 to $86.1m against $68.4m.

Mr Gerry Scanlan, deputy chairman and chief executive of AIB, said that First Maryland "continues to maintain a solid performance in a slowly recovering market place".

Berry Birch slips to £460,000

Profits of Berry Birch & Noble, the USM-traded financial services group, slipped from £518,571 to £460,104 pre-tax for the half year ended July 31.

Turnover advanced from £3.16m to £3.59m.

The shares fell 11p to 164p.

The directors blamed the setback on substantial investment to secure continued expansion of the business, including development of the new office in Clevedon, near Bristol.

They pointed out that without these costs there would have been a "healthy increase" in operating profits.

Interest income declined to £36,994 (£77,847). Earnings per share worked through 1p lower at 5.3p but the interim dividend is lifted to 2.1p (2p).

Brit & American Film net assets up

British & American Film Holdings, the investment company, reported a net asset value, excluding film rights, of 1,120.3p at June 30, against 1,023.1p at the beginning of the year and 898.5p 12 months earlier.

In the first half of 1993 pre-tax profits were £618,456 against £609,688 restated for the changed treatment of investment sales required under FRS 3.

Turnover was £784,604 (£747,346) with the majority coming from investments. Film and video revenue contributed a smaller £41,662 (£77,531).

Earnings per share were 14.29p (16.68p).

The interim dividend is raised to 4.275p (3.8p).

English National net assets ahead

Net asset value per preferred ordinary share of English National Investment stood at 361.5p at September 30.

That marked an improvement on both the 339.6p standing at the March year-end and the 287.8p reported for the same period of the previous year.

The figure for the deferred ordinary shares amounted to 286.5p at September 30. The year-end figure was 264.6p and the comparable half year figure 212.8p.

After-tax revenue for the half year to end-September totalled £265,000 (£241,000).

Earnings per preferred share amounted to 8.4p (7.7p) while those for the deferred emerged at 5.9p (5.3p). Interim dividends respectively for the two classes of share are held at 5p and 2.55p.

PUBLIC WORKS LOAN BOARD RATES
Effective October 19

Years	Quota loans* EP†	A††	maturity§
1			5⅜
Over 1 up to 2	5½	5⅝	5⅞
Over 2 up to 3	5¾	5⅞	6⅛
Over 3 up to 4	6	6	6⅜
Over 4 up to 5	6⅛	6⅛	6⅝
Over 5 up to 6	6¼	6¼	6⅞
Over 6 up to 7	6⅜	6⅜	7⅛
Over 7 up to 8	6½	6½	7⅜
Over 8 up to 9	6⅝	6¾	7½
Over 9 up to 10	6¾	6⅞	7⅝
Over 10 up to 15	7¼	7⅛	7⅞
Over 15 up to 25	7⅝	7⅝	7⅞
Over 25	7⅝	7⅞	7⅞

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LEGAL NOTICES

THE INSOLVENCY ACT 1986
REINHOLD OVERSEAS (HARLEY) LIMITED
REINHOLD KNEBWORTH LIMITED
REINHOLD (KINGS CROSS) LIMITED
NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that meetings of creditors will be held at Robson Rhodes, 186 City Road, London EC1V 2NU on 25 October 1993 at 11.00 a.m., 11.20 a.m. and 11.40 a.m. respectively for the purposes mentioned in Section 99 and 100 of the said Act.
Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU not later than 1200 hours noon on 22 October 1993.
A list of the names and addresses of the company's creditors will be available for inspection, free of charge, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on 21 and 22 October 1993 between the hours of 1000 and 1600 hours.
Dated this 12th day of October 1993
M.J. SMITH
Director

COMMODITIES AND AGRICULTURE

Crisis meeting called as Russian aluminium costs soar

By Kenneth Gooding, Mining Correspondent

RUSSIAN ALUMINIUM producers, shocked by rapidly rising costs, have called a crisis meeting with government officials. Their energy costs jumped by 183 per cent on October 1 and last week transport costs went up by 150 per cent. Mr Youri Shlaifshtein, deputy director responsible for foreign economic relations at Bratsk, the world's biggest aluminium smelter, said those increases had raised the cost of producing aluminium in Russia to western levels.

Bratsk and another big Siberian smelter, Krasnoyarsk, have been resisting the electricity price increase imposed by Moscow because Russia is under pressure from the International Monetary Fund to lift energy prices to international levels. Mr Shlaifshtein said the Siberian smelters accounted for 86 per cent of the local power suppliers' business. "We appreciate they have to make a profit but we have to convince the power suppliers there is a line they must not cross if smelters are not to close."

He said that, until three years ago, Bratsk, which has the capacity to produce about 840,000 tonnes of metal a year, had "minimal" transport costs. After de-regulation of the transport sector these costs were now a great burden.

Representatives of all Russia's smelters will meet senior government officials at Bratsk in mid-November.

The Anthony Bird Associates consultancy group estimated that in mid-1992 the Commonwealth of Independent States' smelters were producing aluminium for about US$550 a tonne because of "astonishingly low input prices". Mr Horst Peters, general manager, technology marketing at VAW, the German aluminium group, estimated recently that the energy cost increase would push Russian smelter costs up to $1,200 a tonne, well above recent London Metal Exchange prices.

Meanwhile, Russia's foreign economic relations ministry is this week having two series of meetings about the surge in CIS aluminium exports - widely blamed for causing real prices to drop to their lowest-ever level.

A European Commission delegation, headed by Mr Jorn Keck, director of bilateral trade negotiations, is seeking a voluntary restraint deal limiting exports and an industrial co-operation accord to help restructure the CIS industry. And yesterday the Russians started two-day talks with government representatives from other aluminium producing countries, including Australia, Canada, Norway and the US, as well as the EC.

Some US companies want their government to seek cuts of at least 500,000 tonnes in CIS annual production and say they are ready to make dumping charges if no satisfactory solution to the CIS export problem is quickly found.

Bratsk finds going tough in the real world

Kenneth Gooding on a town that depends almost entirely on its outdated smelter

MR YOURI Shlaifshtein is attempting to explain why Bratsk, the biggest aluminium smelter in the world, is diversifying into the manufacture of socks and panty-hose.

He acknowledges that some western industrialists might find it difficult to comprehend but the 300,000 people who live in the town of Bratsk rely almost entirely on the smelter for their livelihood. It provides 20,000 direct jobs and 77 per cent of the town's income. The $2m of precious foreign currency invested in the hosiery business provides badly-needed jobs, is making products for which there is a ready demand and is profitable.

The Bratsk smelter, located in Siberia, uses out-dated Söderberg technology and is a big polluter. The town authorities don't like the pollution but need the smelter. A compromise resulted in Bratsk cutting output a little. One of Mr Shlaifshtein's colleagues told Reuter this week that the smelter was producing 750,000 tonnes of aluminium a year compared with its capacity of 840,000 tonnes.

"Russians must often choose between suffering from environmental problems or losing jobs and their ability to feed their families," points out Mr Shlaifshtein, who is the deputy director of Bratsk Aluminium Plant responsible for foreign economic relations.

Bratsk plans more investment to cut pollution - he says $12m has been spent so far and a similar outlay was made to improve the infrastructure around the smelter. It was essential that this be done without interrupting production of the metal that provides the cash to pay for it all.

Now the European Commission and the US aluminium industry is pressing for all the smelters in the Commonwealth of Independent States to cut production and exports. Talks are going on in Moscow this week in the hope that a framework for an agreement can be reached. Mr Shlaifshtein suggests: "If it is assumed that Russia should make all the sacrifices the talks [with the EC] won't succeed."

He says he could supply the EC delegation with ten to 15 reasons why EC smelters should close and adds with a knowing smile, "but we do not have such a strong lobby in the EC as the French".

Russia's moves towards establishing a market economy are now causing its aluminium industry severe problems. Since the begining of October electricity prices have risen by 180 per cent and transport costs by 150 per cent and Mr Shlaifshtein suggests that Russian aluminium production costs are now level with those in the western industry (see story above).

Since demand in Bratsk's domestic market dried up (western analysts say at least half of all the aluminium produced by the former Soviet Union went to its military machine) the smelter has been exporting about 450,000 tonnes a year. The EC decision to restrict imports of CIS aluminium until the end of November had very little impact on the smelter, says Mr Shlaifshtein. But it has raised protests in Irkutsk, the region in which the smelter is located.

Irkutsk was allocated 100,000 tonnes of duty free aluminium exports from the two smelters in the region to barter for essentials such as food and medicines. This metal had to be directed away from the EC and the essentials were bought elsewhere in the world.

"EC manufacturers lost the opportunity to deliver products to Russia. We are establishing links in Japan and the US that might not have been necessary [without the import restrictions]. We are bringing in food from China which stopped buying our aluminium in 1990 but is now a customer again."

Bratsk is attempting to stimulate new Russian demand for aluminium, but this will take time. Mr Shlaifshtein says that two joint ventures have been formed, one with a Japanese and one with a US partner (which he will not identify), to set up factories to produce non-stick cookware. About $8.5m is being invested, most of the equipment has been delivered, and the first factory should start up early next year. He says these ventures should consume about 20,000 tonnes of aluminium a year. Other CIS aluminium smelters are involved in similar projects.

Perhaps most important of all, Bratsk has been working on a scheme that should give it easier access to investment capital while cutting the price it pays for raw materials and raising the value of the aluminium it exports. These are the aims of Rosal Trading, a joint venture with Trans-World Metals, a London-based organisation that claims to be the biggest trader of Russian aluminium.

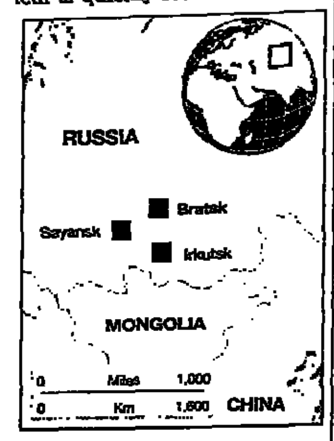
Trans-World previously provided finance for raw materials to "kick-start" Bratsk's production when the smelter was dangerously close to running out early last year. The London company is also involved in a joint venture with the local authority which has provided facilities for Bratsk to import alumina (aluminium oxide) and export aluminium in bulk at the port of Vanino on the east coast of Siberia.

Smartly turned out in a western suit and chain-smoking Marlboros, Mr Shlaifshtein sits in Rosal's sparsely-furnished new office in the Trans-World headquarters and recalls that until three years ago Bratsk's aim was to produce as much aluminium as possible. It received no foreign currency for its effort, all that went to the state, and it had no contact with consumers so the management had no idea that the metal being produced was considered low-grade.

"One reason we formed this company was to share Trans-World's experience and contacts abroad. Contacts with consumers will enable us to change production to meet their requirements. It will cost us very little to make these changes," he says.

Also, Bratsk wants to break out of the barter system into which it was forced by cash shortages. It has to import 50 per cent of its raw materials and pay for them with aluminium. "The best way is to buy raw materials at the lowest possible price and sell aluminium at the highest possible price. When you have to deliver metal to pay for raw materials you do not get the best price."

The link with Trans-World gives Bratsk access to western banks and trade finance and, further down the road, investment finance - something not readily available to a smelter in remote Siberia.



Bratsk is now 51 per cent owned by its employees. Another 10 per cent is held by small shareholders in the Irkutsk region, leaving 39 per cent with the state. According to Mr Shlaifshtein, the state's shares will be auctioned off to the public next month.

Meanwhile, the EC is offering help to the CIS industry in the form of technology and, possibly, finance, in exchange for production cuts. Mr Shlaifshtein says: "Our complex problems cannot be solved by others. We must solve our problems ourselves - then we can ask for help from others".

But there is one way the EC could help Russia. "It is not possible to go to bed in a centrally planned system and wake up in a market system and expect everything to go smoothly. The EC could help us make this transition."

Argentina secures bigger share of fishery resources

By John Barham in Buenos Aires

BRITAIN AND Argentina have reached a new agreement on sharing fish resources in the South Atlantic and waters surrounding the Falkland islands after two days of talks in Buenos Aires.

The one-year arrangement favours Argentina, which will increase its share of a substantially extended fishing effort next year - raising its catch of the prized illex squid by 70 per cent to 220,000 tonnes. The Falklands will retain its present quota of 150,000 tonnes.

The agreement is to be signed in London early next month during an official visit by Foreign Minister Guido di Tella, in which Argentina's claims to the islands will inevitably feature prominently on the agenda.

The accord will increase pressure on the islands' financial revenues, which depend heavily on the sale of fishing licences. The islands' government forecasts a 35 per cent fall in licence revenue next year to between £15m and £15.5m.

Argentine negotiators say, however, that "the islands could not delude themselves that we would never develop our fishing industry. This agreement allows them to plan ahead".

Argentina is likely to continue increasing its share of the catch in future years.

Britain had hoped to strike a long-term agreement with Argentina that would protect the islands' revenues. But Argentina is tying such an agreement to concessions by London over shared development of the islands' possible oil reserves and the lifting of the UK's arms embargo, imposed during the 1982 Falklands conflict.

Canadian group plans Andean mine venture

By John Barham

MUSTO EXPLORATIONS, the Canadian-owned mining group, is in talks with 18 international mining companies on the development of a US$450m-$500m project in western Argentina.

The company has a one year option to develop what it claims is a world-class gold and copper deposit in the Andean foothills and is looking for partners to share development costs.

It is close to completing an 18-month, $7m feasibility study of the Bajo de la Alumbrera property for YMAD, a mining company owned by the local provincial government of Catamarca. Musto intends to take up a one-year option to develop the project in association with YMAD and international investors.

If all goes well, the Catamarca mine would be the first major mining investment in Argentina in decades. Argentina's xenophobic mining laws once discouraged investment, but in June it introduced new legislation eliminating investment barriers.

Musto says Bajo de la Alumbrera is "one of the largest proven unexploited porphyry copper/gold deposits in South America" and could produce 250m lb of copper concentrate and 360,000 troy ounces of gold a year for 20 years. Construction work would take two to three years before the mine could begin production.

Among companies in talks with Musto are Cyprus, American Barrick Resources, Placer Dome and RTZ. Musto is also negotiating financial packages with First Boston and Chase Manhattan banks.

Progress is being held up, however, by negotiations in the Catamarca legislature over the royalties it will levy on the mine.

The federal government says that 20 local and foreign mining companies are operating nine mines in Argentina and are considering 64 possible new projects in which they have already invested $103m. Officials say that two of the largest projects should attract investments of $500m.

● Brazil may cut its tin output by 10 per cent next year because of low prices in the world market, but is in no hurry to join the Association of Tin Producing Countries, which is co-ordinating producer efforts to reduce world supply, Mr Samuel Hanan, president of Brazil's mining and construction company Paranapanema, said yesterday, reports Reuter from Kuala Lumpur.

Mr Hanan, who was attending an ATPC meeting here, said Brazilian exports could also fall by 10 per cent in 1994 from 18,500 tonnes in 1993, well below an export limit of 24,000 agreed with the ATPC.

Venezuela volunteers to mediate in banana exporters' dispute

By Canute James in Port of Spain

VENEZUELA HAS volunteered to mediate in the simmering dispute between Latin American and Caribbean banana producers over access to the European Community market.

The offer was made by President Ramon Velaquez during a meeting in Port of Spain, capital of Trinidad and Tobago, with the presidents of Colombia and Mexico and the leaders of the Caribbean Community and Suriname.

It followed an attack at the conference on the Latin American producers by Mr James Mitchell, the prime minister of St Vincent, who said that the economies of the Windward Islands of the Caribbean and of other traditional banana suppliers to Europe, were threatened by "indiscriminate flooding of the market by supplies from Latin America".

"Should our economies be destroyed by this, then relations between Latin America and the countries of the Windward Islands are quite likely to suffer irreparable damage," Mr Mitchell said.

The row between the Latin Americans and the EC's traditional suppliers in the African, Caribbean and Pacific group is over the community's banana import regime, implemented in July, which imposes a 2m tonnes-a-year quota for Latin American fruit. Imports up to that level attract duty of Ecu100 (£78) a tonne while a duty of Ecu850 a tonne is applied to above-quota imports.

The community's traditional suppliers in the ACP group have tariff-free access for the remainder of the EC's needs of about 1.5m tonnes a year. The ACP producers say many economies dependent on banana exports face damage through reduced market access while the Latin Americans say they are more efficient producers and should benefit from an open market for the fruit.

"Market intelligence since the introduction of the new regime is indicating that the banana situation in Latin America is not turning out, for Latin America, to be as negative as those countries have been asserting," Mr Mitchell said. "The survival of the Windward Islands' economies depends on banana exports. We produce less than 2 per cent of the bananas in the Western Hemisphere and supply only 20 per cent of the European market."

Mr Patrick Manning, prime minister of Trinidad and Tobago and chairman of the summit meeting, said that the leaders of Colombia, Mexico and Venezuela had understood the arguments of the Caribbean banana producers and others in the ACP group.

"Venezuela has undertaken to co-ordinate discussions with the Latin American producers, while St Lucia will do the same for the Caribbean producers," Mr Manning said. "The plan is for a ministerial meeting with an agenda to discuss the matter and find common ground."

WORLD COMMODITIES PRICES

MARKET REPORT

The **GOLD** reached a two-month high as fresh US investor fund buying piled into the New York futures markets. In London it closed at $372 a troy ounce, up $5 on the day. "It is quite a strong move. The [investment] funds are buying it fairly heavily," one dealer said, adding there was no physical demand. "Dealers were buying to test the price at over $370," he said. **SILVER** was also strong, ending 13 cents up at $4.51½ an ounce, but Platinum lagged with a $1.85 rise to $375.10 an ounce. At the London Metal Exchange the three months **TIN** price rose to a fresh 10-week high of $4,970 a tonne but found expected stiff resistance near $5,000 and ended after hours trading at $4,950 a tonne, up $70 on balance. **COPPER** ended its decline with three months metal gaining $12.75 to $1,645.25 a tonne in what dealers described as a "technical consolidation". **ZINC** was unable to extend initial upward momentum, with the rise attracting hedge selling, although an undercurrent of support remained, based on continued talk of production cuts. The three months price closed at $952.50 a tonne, up $11.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$14.94-4.98u	+0.06
Brent Blend (dated)	$16.65-6.67	+0.11
Brent Blend (Dec)	$17.03-7.05	+0.09
W.T.I (1 pm est)	$18.33-8.35u	+0.025

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$190-192	
Gas Oil	$175-176	
Heavy Fuel Oil	$61-63	
Naphtha	$160-162	+1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$372.0	+5
Silver (per troy oz)♣	451.5c	+13
Platinum (per troy oz)	$375.10	+1.85
Palladium (per troy oz)	$133.65	+0.9
Copper (US Producer)	84.5c	-0.5
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.35m	+0.1
Tin (New York)	222.5c	
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	118.89p	+3.08*
Sheep (live weight)†♠	81.28p	+2.52*
Pigs (live weight)†	68.35p	+3.10*
London daily sugar (raw)	$261.0	+2.2
London daily sugar (white)	$291.0	+3
Tate and Lyle export price	£288.0	+1.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120.0	
Wheat (US Dark Northern)	£166.5	
Rubber (Nov)♥	60.00p	
Rubber (Dec)♥	60.25p	
Rubber (KL RSS No 1 Jul)	205.0m	
Coconut oil (Philippines)§	$435.0v	+5
Palm Oil (Malaysian)§	$340.0u	-2.5
Copra (Philippines)§	$270.0	
Soyabeans (US)	£190.0	+1
Cotton "A" Index	54.40c	-0.10
Wooltops (64s Super)	324p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Jan/Feb u-Dec t-Sep/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

CRUDE OIL - IPE $/barrel

	Latest	Previous	High/Low	
Dec	17.07	16.95	17.11	16.85
Jan	17.25	17.14	17.28	17.10
Feb	17.38	17.28	17.41	17.24
Mar	17.43	17.38	17.50	17.33
Apr	17.55	17.50	17.60	17.50
May	17.69	17.58	17.70	17.65
Jul	17.70	17.69	17.77	17.64
IPE Index	16.97	16.95		

Turnover 21904 (19079)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low	
Nov	169.50	169.25	170.25	168.75
Dec	169.75	169.50	170.50	169.00
Jan	169.50	169.50	170.00	169.00
Feb	169.00	168.50	169.00	167.75
Mar	167.75	167.00	167.75	167.00
Apr	166.00		166.25	165.75
May	165.00		165.50	165.00
Jun	164.25	163.00	164.50	162.50
Aug	166.50		166.50	

Turnover 13783 (14642) lots of 100 tonnes

SUGAR - LCE ($ per tonne)

White	Latest	Previous	High/Low	
Dec	277.50	278.10	278.00	277.00
Mar	275.50	276.40	277.00	275.00
May	278.60	279.50	280.30	278.00
Aug	282.50	283.50	284.00	282.50
Oct	274.20		274.20	

Turnover 1539 (936) Paris- White (FFr per tonne): Dec 1617.21 Mar 1619.84

WOOL

Australian wool prices have continued to move steadily against the buyer, with finer Merinos in particularly strong demand. Overall, price increases are gradual, and the Australian Wool Corporation's market indicator reached 457 cents a kg. on October 20, which compared with 450 a week before. When the selling season opened in July the indicator was 459 cents, and subsequently declined to a low of 411. Clearances at auction remain very good, business in wool using markets has been better, and forecasts of a continuing gradual firmer tendency for wool are multiplying.

No.7 RAW SUGAR - LCE (cents/lbs)

	Close	Previous	High/Low	
Mar	10.52		10.56	10.48
Jul	11.06	11.02	11.06	
Oct	10.88		10.88	

Turnover 97 (1036) lots of 50 tonnes.

COCOA - LCE £/tonne

	Close	Previous	High/Low	
Dec	941	925	940	918
Mar	968	952	969	948
May	971	957	972	955
Jul	970	958	975	957
Sep	972	960	973	958
Dec	959	947	958	948
Mar	961	951	961	950
May	963	954	960	955

Turnover: 5681 (5279)lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 19 916.27 (905.01) 10 day average for Oct 20 903.99 (906.76)

COFFEE - LCE $/tonne

	Close	Previous	High/Low	
Nov	1175	1208	1202	1174
Jan	1195	1225	1218	1193
Mar	1174	1210	1197	1175
May	1176	1197	1190	1175
Jul	1175		1193	

Turnover: 3844 (4099) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 19 Comp. daily 69.13 (69.70) 15 day average 67.31 (67.40)

POTATOES - LCE £/tonne

	Close	Previous	High/Low	
Apr	91.8	90.0	92.9	91.0
May	104.9	103.8	105.5	105.0

Turnover 149 (93) lots of 20 tonnes.

FREIGHT - LCE $10/index point

	Close	Previous	High/Low	
Oct	1328	1353	1345	1330
Nov	1338	1368	1362	1335
Dec	1339	1365	1340	1339
Jan	1340	1368	1360	1339
Apr	1365	1385	1370	1360
Jul	1195	1215	1200	
Oct	1380	1390	1380	
Jan	1400		1400	
BFI	1361	1373		

Turnover 217 (222)

GRAINS - LCE £/tonne

Wheat	Close	Previous	High/Low	
Nov	98.65	99.90	99.50	98.65
Jan	100.65	101.65	101.10	100.65
Mar	102.45	103.50	103.00	102.50
May	104.30	106.25	104.75	104.25
Barley	**Close**	**Previous**	**High/Low**	
Nov	101.30	101.50	101.30	101.20
Jan	103.35	103.50	103.30	103.00

Turnover: Wheat 639 (245) Barley 47 (34)
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 51,081 lots
Cash	1096-97	1091-92	-	1090.5-91	-	
3 months	1117.5-18	1112-12.5	-	1112-12.5	-	238,279 lots
Copper, Grade A ($ per tonne)						Total daily turnover 72,131 lots
Cash	1621-22	1608-09	-	1619-20	-	
3 months	1645-45.5	1632-33	-	1641.5-42	-	179,079 lots
Lead ($ per tonne)						Total daily turnover 3,592 lots
Cash	389.5-90.5	381.5-82	-	393-94	-	
3 months	403-04	395-96	-	406.5-07	-	22,889 lots
Nickel ($ per tonne)						Total daily turnover 13,380lots
Cash	4600-10	4512-17	-	4660-65	-	
3 months	4660-65	4565-75	-	4716-17	-	44,213 lots
Tin ($ per tonne)						Total daily turnover 4,266 lots
Cash	4910-20	4838-42	-	4835-40	-	
3 months	4960-70	4888-90	-	4885-90	-	12,292 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,932 lots
Cash	935-38	924-25	-	933-33.5	-	
3 months	952-53	941-42	-	950.5-51	-	84,770 lots

LME Closing £/$ rate: SPOT: 1.4900 3 months: 1.4813 6 months: 1.4744 9 months: 1.4687

LME AM Official £/$ spot rate N/A

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	371.75-372.25	
Opening	369.10-369.50	
Morning fix	371.60	248.762
Afternoon fix	372.50	249.958
Day's high	373.80-373.60	
Day's low	369.10-368.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.74	6 months	2.64
2 months	2.70	12 months	2.85
3 months	2.64		

Silver fix	p/troy oz	US cts equiv
Spot	302.25	449.25
3 months	306.40	452.75
6 months	310.15	456.15
12 months	317.80	463.65

GOLD COINS

	$ price	£ equivalent
Krugerrand	373.00-376.00	249.00-252.00
Maple leaf	383.20-385.65	-
New Sovereign	87.00-90.00	58.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	23	50	14	19
1125	12	36	28	30
1150	5	24	46	43
Copper (Grade A)	**Calls**		**Puts**	
1600	57	92	16	30
1650	29	64	38	52
1700	12	41	71	78
Coffee LCE	**Nov**	**Jan**	**Nov**	**Jan**
1150		89	25	44
1200	26	63	1	68
1250	75	44		99
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
925	41	87	25	44
950	28	73	37	55
975	19	60	53	67
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1650			19	25
1700	38		28	43
1750	14	40		70

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	372.7	369.1	371.8	371.8
Nov	372.9	369.4	0	0
Dec	373.8	370.3	374.9	372.5
Feb	375.6	372.1	376.7	374.7
Apr	377.4	373.9	378.5	376.3
Jun	379.2	375.6	380.0	378.9
Aug	381.0	377.4	381.9	381.8
Oct	382.8	379.2	382.9	382.9
Dec	384.6	381.0	384.7	383.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	374.3	372.9	0	0
Nov	363.0	363.0	0	0
Jan	378.8	375.4	378.5	376.0
Apr	378.6	377.2	380.0	378.0
Jul	379.6	378.2	381.0	378.5
Oct	381.1	379.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	452.5	441.2	0	0
Nov	454.1	442.6	0	0
Dec	454.3	443.0	456.0	448.5
Jan	455.5	444.2	0	0
Mar	458.6	447.2	460.5	453.5
May	461.5	450.1	462.0	456.0
Jul	464.4	453.0	462.5	459.5
Sep	467.3	455.9	465.5	465.5
Dec	471.8	460.4	473.0	467.0
Jan	473.0	461.5	470.0	470.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	72.80	72.40	73.10	72.60
Nov	72.80	72.60	73.40	73.05
Dec	73.15	73.15	73.75	73.10
Jan	73.45	73.45	73.90	73.90
Feb	73.75	73.75	0	0
Mar	74.05	74.05	74.65	74.05
Apr	74.35	74.35	0	0
May	74.65	74.65	75.15	74.60
Jun	74.95	74.95	0	0
Jul	75.25	75.25	75.70	75.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	18.28	18.06	18.30	17.95
Dec	18.37	18.26	18.42	18.17
Jan	18.51	18.43	18.56	18.35
Feb	18.67	18.57	18.67	18.56
Mar	18.75	18.70	18.78	18.67
Apr	18.82	18.82	18.85	18.80
May	19.04	18.94	18.98	18.92
Jun	19.15	19.05	19.08	18.96
Jul	19.05	19.13	19.17	19.06

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	54.00	54.00	54.20	53.45
Dec	54.85	54.86	55.10	54.40
Jan	55.45	55.45	55.60	55.05
Feb	55.60	55.60	55.80	55.25
Mar	54.90	54.85	55.00	54.75
Apr	53.80	53.85	53.85	53.70
May	53.10	52.90	53.10	53.00
Jun	52.50	52.40	52.70	52.50
Jul	52.80	52.55	53.00	52.80
Aug	53.80	53.10	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1170	1136	1175	1148
Mar	1207	1172	1212	1183
May	1224	1188	1227	1203
Jul	1240	1206	1240	1223
Sep	1260	1223	1260	1240
Dec	1273	1237	1280	1258
Mar	1288	1243	1261	1261
May	1302	1257	1274	1273
Jul	1316	1271	0	0
Sep	1335	1290	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	75.60	76.30	78.20	75.40
Mar	78.20	78.85	80.45	78.00
May	79.50	80.10	81.00	79.60
Jul	80.75	81.45	82.10	81.00
Sep	82.10	82.80	84.40	83.15
Dec	84.50	85.05	86.60	86.20
Mar	88.00	88.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.33	10.38	10.34	10.22
May	10.50	10.52	10.50	10.42
Jul	10.65	10.65	10.55	10.47
Oct	10.54	10.57	10.55	10.49

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	57.13	57.17	57.74	57.10
Mar	58.71	58.78	59.26	58.67
May	59.53	59.70	60.10	59.60
Jul	60.07	60.20	60.55	60.10
Oct	61.20	61.02	0	0
Dec	61.34	61.15	61.65	61.30
Mar	61.80	61.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	113.30	114.30	114.90	112.70
Jan	116.05	117.25	117.60	115.60
Mar	118.45	119.20	120.00	118.10
May	119.95	121.00	122.00	120.00
Jul	121.40	122.25	122.40	121.75
Sep	122.20	123.00	0	0
Nov	119.95	121.00	0	0
Jan	119.95	121.00	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Oct 20	Oct 19	mnth ago	yr ago
1586.9	1582.5	1589.8	1637.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 19	Oct 18	mnth ago	yr ago
Spot	118.64	118.36	121.82	114.62
Futures	127.91	128.58	126.52	116.62

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	614/4	614/6	614/6	612/2
Jan	621/4	621/6	622/0	619/2
Mar	628/4	628/6	629/0	626/4
May	632/6	633/2	633/2	631/0
Jul	636/6	636/4	637/0	634/4
Aug	636/0	635/6	636/0	634/2
Sep	627/0	624/6	627/0	625/0
Nov	618/2	617/0	618/4	616/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	22.76	22.87	22.86	22.70
Dec	22.94	22.94	22.99	22.82
Jan	23.04	23.03	23.08	22.93
Mar	23.20	23.17	23.22	23.06
May	23.23	23.14	23.25	23.10
Jul	23.24	23.10	23.25	23.15
Aug	23.00	22.90	23.05	23.00
Sep	22.85	22.70	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	191.0	193.5	193.5	190.8
Dec	190.5	190.7	190.7	189.6
Jan	190.9	190.8	191.0	189.7
Mar	192.3	191.5	192.3	190.7
May	193.5	192.9	193.5	192.2
Jul	195.5	194.8	195.5	194.0
Aug	195.5	194.8	195.5	194.0
Sep	195.5	194.7	195.5	194.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	252/4	254/0	253/4	251/6
Mar	261/0	262/2	261/6	260/0
May	265/4	266/4	266/0	264/4
Jul	267/2	268/4	268/0	266/4
Sep	260/6	261/0	260/6	259/6
Dec	253/6	254/4	254/0	252/6
Mar	260/0	260/6	260/0	259/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	333/2	330/2	333/4	329/2
Mar	329/2	328/2	329/4	325/0
May	316/4	319/2	313/0	315/4
Jul	309/4	309/4	310/0	307/2
Sep	312/0	313/4	312/0	311/0
Dec	322/0	321/4	322/0	321/0
Jul	313/4	0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.375	73.325	73.500	72.750
Dec	74.475	74.700	74.725	74.075
Feb	74.775	75.175	75.075	74.550
Apr	75.925	76.100	76.050	75.750
Jun	72.950	73.125	73.175	72.800
Aug	71.400	71.500	71.600	71.325
Oct	71.825	71.850	71.825	71.800

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	47.550	48.275	48.575	47.475
Dec	49.000	49.650	50.250	48.700
Feb	49.400	50.075	50.525	49.225
Apr	47.550	48.075	48.475	47.525
Jun	52.075	52.400	52.800	51.850
Jul	50.900	51.350	51.800	50.850
Aug	49.350	49.750	49.850	49.300
Oct	45.650	45.725	45.750	45.300

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	57.125	57.825	59.075	57.050
Mar	57.000	57.600	58.850	56.900
May	56.900	57.800	59.150	56.900
Jul	58.000	58.725	60.000	57.950
Aug	57.550	57.325	57.750	57.350

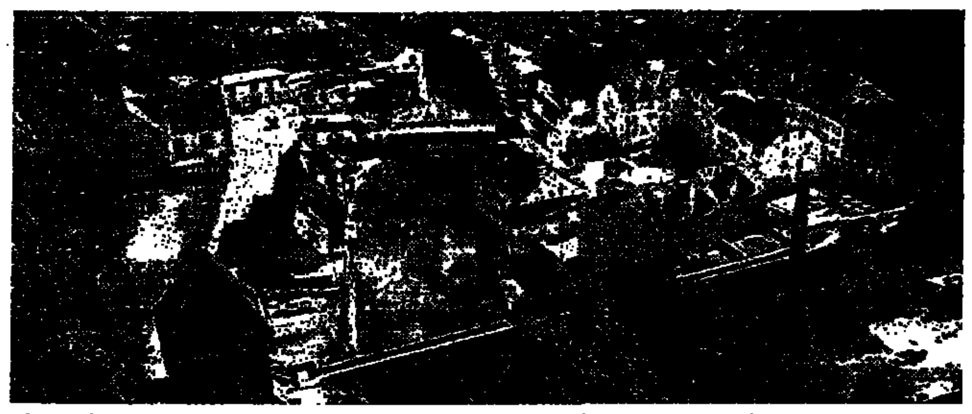
FINANCIAL TIMES SURVEY

LUXEMBOURG

Thursday October 21 1993

The European Investment Bank, based in the Grand Duchy, has a forceful new president: Page III

Foreigners are at a loss to categorise Letzebuergesch, the local language: Page IV


A mixture of Rutland and Ruritania, the Grand Duchy packs an economic punch out of proportion with its size and population. It has exploited deftly the opportunities offered by open borders, free trade and steady progress toward deeper European integration

Pictures: Tony Andrews/Glyn Genin

Its economic performance makes the Grand Duchy the only EC member state to fulfil all five 'convergence criteria' required under the Maastricht treaty to join a European monetary union. Threats to its EC status will be stoutly resisted. Lionel Barber reports

Mighty EC micro-state

IN the 35 years since the foundation of the European Community, Luxembourg has earned a justified reputation as a mighty micro-state.

A mixture of Rutland and Ruritania, the Grand Duchy packs an economic punch quite out of proportion with its size and population. It has exploited deftly the opportunities offered by open borders, free trade and steady progress toward deeper European integration.

Over the past 12 months, the EC has been shaken by a series of political, economic and financial crises which have raised questions about its identity, its future development, perhaps even the historic inevitability of integration.

In the Roaring Eighties, when Europe's economy boomed, the Grand Duchy's population of 400,000 benefited enormously from its geographical position near the centre of a single European market of 340m people. But these are hard times for the EC, and the slump in the economies of neighbouring Germany and Belgium has left Luxembourg looking more exposed.

The extent of its vulnerability should not be exaggerated. In 1992, Luxembourg's banking sector increased its profits by 18.5 per cent – on top of a growth rate of 24.1 per cent in 1991. Unemployment remains at less than 2 per cent, compared to an EC average of between 10 and 15 per cent. This summer, Luxembourg was the only member state in the EC which met all the Maastricht treaty's economic convergence criteria – the targets set for membership of a future European monetary union.

The most pressing concern centres on the economic downturn in Germany, together with the currency crises which have swept through the Community since Danish voters rejected the Maastricht treaty in June 1992.

The initial targets for international financial speculators were "soft-core" currencies such as the British pound and the Italian lira; but in the spring and summer of 1993, the assault shifted to the "hard-core" grouping including the French franc, the Danish krone and the Belgian franc, which remains linked in a 71-year-old currency association to the Luxembourg franc.

The recent weakness of the Belgian franc has touched a raw nerve because it evoked memories of the 1982 currency crisis in which the Brussels authorities devalued their currency unilaterally, without consulting Luxembourg.

Fearing a possible re-run, Luxembourg has sent messages to the Dehaene coalition government in Belgium that it expects every effort to be made to preserve the value of the currency through a tight link with the D-mark. At the same time, internal studies have been drawn up, examining the impact of a future devaluation and assessing the *Schmerzensgrenzen* – pain barriers – beyond which Luxembourg might have to re-examine its currency association.

This would be a big step into the unknown. In the meantime, Mr Jacques Santer, Luxembourg's long-serving prime minister, remains adamant that he believes the currency association (which was renewed last year) will continue: "It is not the Luxembourg tradition unilaterally to denounce treaties," he said in a speech earlier this month.

Behind these worries about Belgium's economic strength and its political cohesion lies a more general worry about Luxembourg's position in a Community on the brink of a new phase of enlargement; it is supposed to take in Finland, Norway, Austria and Sweden by January 1 1995.

One, perhaps even two of the candidates within this group may well fail in their bid for admission. But Luxembourg still faces a dilution of power; disconcerting for a founder member of the EC which has long enjoyed an influence greater than its size.

Recent reports that France, Germany and the UK are toying with the idea of cutting down the size of the European Commission to 10 members are unsettling; so is the notion that an enlarged EC should adapt the system of qualified majority voting, to defend the position of the bigger states.

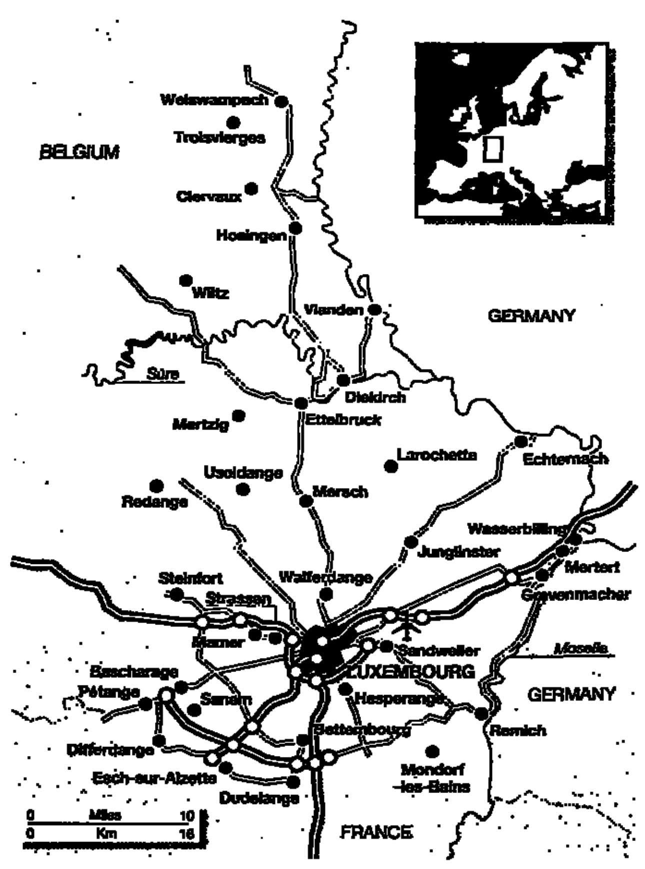
One senior Luxembourg official says he was "appalled". He suggests that this would spell not only the loss of Luxembourg's right to send its own Commissioner to Brussels, but also an EC dominated by the bigger member states, following the principle of 19th century balance of power politics. "The efficiency of the EC is important, but you must not go back to the Congress of Vienna," he says.

For Luxembourg, preservation of the status quo touches on the question of national identity. "Luxembourg has always been very favourable toward Europe," says Mr Jim Cloos, *chef du cabinet* to Mr Rene Steichen, Luxembourger commissioner in Brussels, responsible for agriculture. "But we are often afraid of being submerged or swamped."

He adds: "We are emotionally closer to France and economically linked to Germany, but we are neither French, nor German, nor Belgian. We are something in between."

It is wrong to speak of an upsurge in nationalism; but, like neighbouring Germany, Luxembourg has lost its uncritical attitude toward the EC. Politicians such as Mr Fernand Rau have made mileage out of running against the Maastricht treaty, singling out its concept of EC citizenship which provides for the extension of voting rights for foreigners.

Mr Rau, 52, is the Ross Perot of Luxembourg politics. His campaign to curb public spending and raise private pensions to the generous level of state employees failed to take off in the recent local elections, where the Green Party fared better; but he remains a threat to the establishment because he has spotted the dangers of pursuing European integration beyond reasonable limits.



In the post-second world war era, Luxembourg has brilliantly exploited EC legislation to carve out a position as a leading European banking financial centre, breaking its earlier dependence on the steel industry. For example, when the European Commission issued its directive on European-wide investment funds in 1988, Luxembourg's parliament responded with appropriate legislation within four weeks. This nimble approach anticipated future EC legislation, paving the way for the Grand Duchy to attract more than 1,000 investment funds.

On the other hand, the Community's drive to harmonise tax legislation – notably the withholding tax – constitute a direct threat to Luxembourg's status as a financial centre. Savings running into billions of francs would switch to tax havens in Europe such as the Channel Islands or Monaco.

Similarly, Luxembourg has no intention of sacrificing its other chief advantage in the financial sector: banking secrecy. Any change in either the withholding tax or banking secrecy would amount to a significant blow to an industry which itself accounts for between 10 and 12 per cent of the Grand Duchy's gross domestic product.

Leading executives such as Mr Charles Ruppert, president of the Luxembourg Banking Association, argue that the financial sector's strength has more to do with intellectual agility and high-quality training than favourable tax laws. He points to the successful expansion of Luxembourg's commercial satellite and television sector as prime examples.

But Mr Ruppert cautions that new arrangements for enlargement and integration should preserve member states' national assets such as banking and finance, even at the expense of European-wide harmonisation. In this respect, Luxembourg speaks for many of the bigger members of the EC, including the UK.

LUXEMBOURG II

Simon Gray follows the economic signposts

Recession is too strong a term

LUXEMBOURG politicians and businessmen say anxiously that the Grand Duchy is teetering on the brink of recession. Indeed, every industry except the financial and media sectors claims to be facing recession, if not a crisis. But even if the pessimists are right, it does not look like the kind of recession other countries would worry about very much.

According to the World Bank, Luxembourg had the world's second highest GDP per head (after Switzerland) last year: $35,260.

The ministry of economic affairs estimates economic growth in 1992 at 2.8 per cent, and predicts rates of 1 per cent for this year and 1.6 per cent for 1994. To be sure, this is a reduction from Luxembourg's 1987-91 average of 5.1 per cent, but technically it is nothing like recession.

Nevertheless, it would be hard to persuade Arbed of the truth of that. The Luxembourg-based steelmaker lost LFf3.3bn francs ($95m) in 1992 and expects the deficit to widen to LFf5bn (nearly $160m) this year.

The workforce engaged in steel production in the Grand Duchy stood at 27,000 in the mid-1970s. It stands now 8,300 – and Arbed is planning to cut this to 6,000 by 1996.

Steel is only the most conspicuous sign of slowdown in the economy. After nearly 10 years of success on the back of commercial property development, the construction sector has run out of steam – even if the industry's own forecast of 10,000 jobs at risk (out of some 21,000) looks like scaremongering.

Overall, industrial production by volume (excluding construction and civil engineering) fell by 0.6 per cent last year and slipped by a further 2.9 per cent in the first quarter of 1993. Industry executives believe that, in general, production is now stabilising, but there is no sign of an improvement in prices.

Consumer spending in supermarkets and chain stores declined by 1.4 per cent last year, although early figures indicate a resurgence in 1993. The number of new cars registered in the Grand Duchy in the first four months of the year fell by 25.2 per cent compared with the same period in 1992.

Even residential property prices, which roughly doubled between 1986 and 1992, seem to have hit a ceiling.

This year has seen a small but steady trickle of job cuts at companies such as Du Font de Nemours, Villeroy & Boch, the ceramics manufacturer, and Electrolux. These have contributed to an unemployment figure of just under 3,400 at the end of August – a record low, although still barely two per cent of the working population.

But this does not tell the whole story. At the same time that unemployment has been rising, so has total employment – by 3,400 in the year to February.

The "new" unemployed tend to be Luxembourg residents who were previously working in industry; in many cases, older people whom the Employment Administration tactfully describes as "hard to place." The the meantime, ever more commuter employees from Belgium, France and Germany are coming into the workforce.

Frontaliers, as they are known, have long played an important role in the Luxembourg economy. But their numbers have shot up rapidly over the past few years: from 28,600 in 1989 to 45,400 in February 1993, in parallel with the growth of the financial sector.

Precise figures are hard to come by, but the best guess is *that about half of all* jobs in Luxembourg are filled by foreigners, either commuters or residents.

In the financial sector – where the Luxembourg Monetary Institute keeps exact figures – the proportion of foreigners at the end of June this year was 52.5 per cent.

The banking industry and its constellation of financial services companies lead the other side of the Luxembourg economy – the side which has enjoyed surging growth, even as other sectors were running into difficulties.

Last year the 213 banks based in the Grand Duchy (there are now 221) collectively improved their profits by 18.5 per cent, on top of a 24.1 per cent growth rate in 1991. Similar growth has occurred in the investment fund industry: its aggregate net assets more than doubled, from LFf4,157bn to LFf8,818bn, between December 1991 and June this year.

Industry is by no means united in gloom. Sommer Allibert has decided to expand its new auto components factory near Clervaux; Goodyear is expanding tyre production at Colmar-Berg; Circuit Foil, the copper foil manufacturer, is investing LFf2,7bn ($78m) in its facility at Wiltz. And Arbed is pressing ahead with a LFf12.5bn ($360m) investment programme, including replacement of two blast furnaces with electric arc furnaces.

The commercial property market, where rampant oversupply sent prices tumbling by more than 20 per cent between 1990 and the beginning of this year, is also showing hesitant signs of recovery. A new business park near Luxembourg airport struggled initially to find tenants but is now nearly full. Work started in July on a LFf2.5bn office and hotel complex south of the city, and the government's ambitious plans for development of the Kirchberg plateau have been rescued by Hochtief, the German developer, which has taken over a project dropped last year by Sweden's Skanska.

The brightest performer, however, has been the media industry, where the Société Européenne des Satellites has consolidated the market dominance of its Astra TV satellite system. The Compagnie Luxembourgeoise de Télédiffusion made record profits in 1992 as RTL-plus in Germany and RTL4 in the Netherlands led their markets in terms of both audience share and advertising revenue.

Overall, while Luxembourg's economic outlook is relatively bright, questions remain.

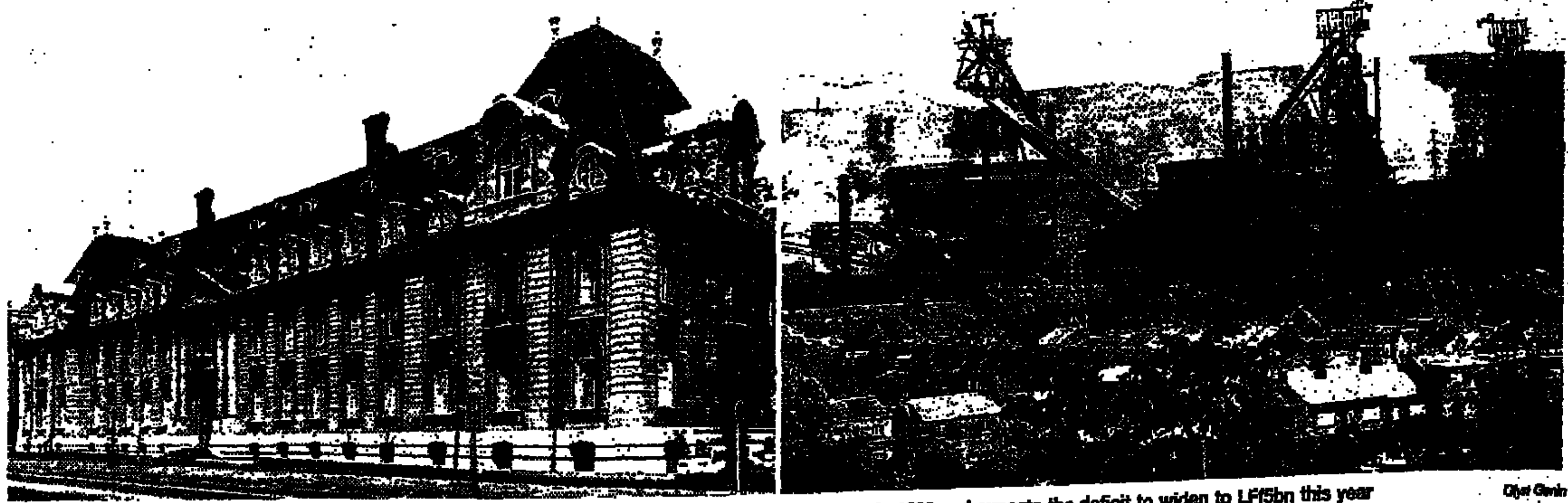
Can inflation be kept under control? Since 1987, when prices actually declined, inflation has risen to a steady 3.5 per cent, fuelled by a government budget deficit and a salary indexation mechanism which trade unions are reluctant to let go.

This index is part of what the Luxembourg Industry Federation (Fedil) and other employers' groups see as an increasingly uncompetitive cost structure. They would prefer lower social security charges on employers and more flexibility in dealing with a workforce which, in general, is expensive to hire and difficult to fire.

They are also concerned about the growing impact of environmental activists, who did well in the municipal elections. Environmental protests recently persuaded the Fulflex group to drop plans for a rubber factory in Kehlen – and may derail a planned industrial waste dump near the affluent dormitory town of Mamer.

Longer term, there is concern that a return to prosperity in neighbouring areas of Belgium and France could cut off a source of manpower on which Luxembourg is increasingly dependent.

The alternative would be more immigration – no easy political option in a country where, already, about a third of the population is foreign.



Arbed headquarters (left) and steelworks (right). The Luxembourg-based steel-maker lost LFf3.3bn francs in 1992 and expects the deficit to widen to LFf5bn this year Olaf Gnin

More and more commuter employees from Belgium, France and Germany, known as 'frontaliers', are coming into the workforce. At the European Technical Centre, in Bascharage, a cosmopolitan group of engineers and technicians work with state-of-the-art equipment in the control room of a twin engine dynamometer

OFFICIAL PRICE LIST

	1990	1991	1992 1st half	1992	1993 1st half
Bonds	7424	7488	7249	7048	6830
National	104	113	124		
International	7320	7375	7125		
Stocks and shares	260	264	266	268	268
National	61	70	70	66	66
Foreign	199	194	196	202	202
Investment Funds	1369	1589	1680	1783	1915
National	1339	1565	1657	1754	1889
Foreign	30	24	23	29	26
Warrants & others	1078	1163	1090	1064	1095
TOTAL	10131	10504	10285	10163	10108

Source: Luxembourg Stock Exchange

The Stock Exchange

Continuous trading needed

LUXEMBOURG'S stock exchange is home to the Eurobond. It was first issued in 1963, and is celebrating its 30th anniversary, but the tiny bourse is also looking to the future, seeking to carve for itself a niche in the European Community's single market.

It hopes to be sitting pretty through a period of less introverted trading and more international activity – with an eye on the 1996 implementation of an EC Investment Services Directive (ISD) which gives brokers a "passport" to trade throughout the EC, and a much-touted "Eurolist" allowing important securities to be simultaneously listed on various European exchanges.

"We were always based on transnational and transcontinental business," says Mr Edmond Israel, the bourse chairman. "All developments leading to greater efficiency for transnational business in Europe will enhance the business in Luxembourg."

Mr Israel, together with other officials in this tiny country wedged between France, Germany and Belgium, is touting a tradition of international expertise.

With more than 10,000 securities denominated in 26 currencies, the exchange is a significant part of Luxembourg's financial centre

Between 75 per cent and 80 per cent of the world's outstanding Eurobonds are listed in Luxembourg. While lower interest rates around Europe helped the Eurobond market to break volume records, analysts noted its ability to withstand currency turbulence.

With more than 10,000 securities denominated in 26 currencies, Luxembourg's exchange is a significant part of a marketplace which hopes to take a central position in Europe, and not just geographically. "I think we are well positioned for the future," Mr Israel says.

That belief stems partly from the expectation that foreign banks and international companies will continue to set up shop, taking advantage of Luxembourg's flexible regulatory structure and its centrally located, multi-lingual base. With some 200 banks already in the Grand Duchy, Mr Israel sees "quite a lot of potential here in the securities field."

Even without the new EC rules integrating stock exchanges, he thinks the 1990s will be good for bourses; he anticipates a trend towards greater equity investment. "The stock exchanges have a big role to play in ... converting short term cash into long-term investment, which will contribute to Europe's the economic development."

Total trading volume in June rose to LFr23.34 bn, an increase of 23.49 per cent over the first 1992 period. Mr Israel predicts that volume will continue its climbing pace. "By December 31 this year I would anticipate a growth of between 25 and 30 per cent over last year."

He also says that, thanks to Luxembourg's liberal trading tradition, the volume of trading off the exchange "exceeds by far" that of on-exchange trading. Under the ISD, those transactions will have to be reported to a central authority, increasing the bourse staff's workload.

Although he says the on-exchange turnover is "extremely satisfactory," it is still one of Europe's smallest. Mr Israel wants "to increase the transactions more substantially." That means computerising securities. While nearly 800 securities are now being traded electronically, traders complain that the computers are not always working.

Meanwhile, the old, open outcry system still prevails. Trading floor activity is still limited to between 10.45am and 1.15pm – a disadvantage compared to Paris, which trades between 10am and 5pm. Plans to extend the Luxembourg exchange's hours have not yet borne fruit, but Mr Israel says: "There's more than a fair chance that it will happen next year." No decision has yet been taken on which securities could be traded during extended hours.

Traders say that another feature ripe for change is the manner in which securities are called in succession on the exchange, allowing trading on a particular bond or share only when it has been called. Securities also come up one by one on trading screens. "We absolutely must create a continuous trading market throughout the working day," complains one Luxembourg trader.

Luxembourg has continued on its path towards making investment funds a speciality; it lists 1,915 domestic and foreign funds. But bond trading constitutes the bulk of the exchange's activity, thanks mostly to listings by foreign companies. With 855 new bonds listed since January, bond turnover reached LFr15.48b in June.

Mr Israel says that he expects to see growth in Luxembourg franc and Ecu-dominated bonds, as well as shares of "major international investment funds" which he declined to identify. He also foresees growth in equities, "where next year the Eurolist shares could play a major role."

Though the Ecu remains the most traded currency, it has slipped as the bond denomination of choice, accounting for nearly half the bond volume a year ago, but not even a third of its volume today.

Luxembourg franc-denominated bonds now represent 17 per cent of total bond trading, followed by Canadian and US dollar bonds. And bonds have shrunk as a fraction of total trading volume, from 75 per cent last December to some 66 per cent in June.

Meanwhile, stocks and shares, which accounted for 26 per cent of total trading on the bourse in 1992, now constitute 33.7 per cent.

Luxembourg securities account for nearly 90 per cent of stock trading. Of the exchange's 66 domestic shares and 202 foreign ones, the top 10 traded shares so far this year are all Luxembourg companies.

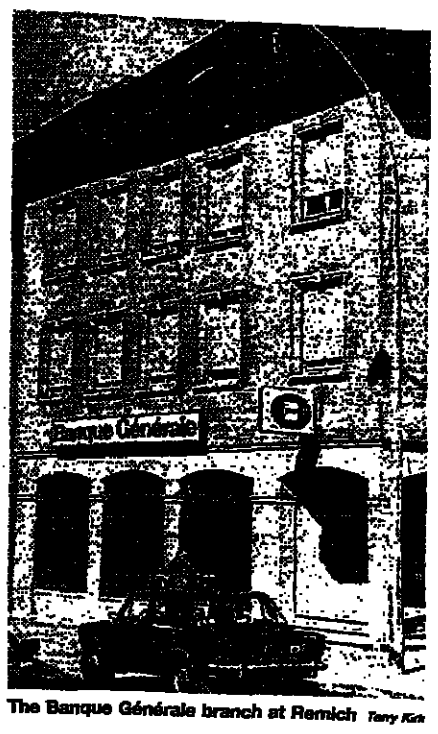
Those include Arbed, the steelmaker, whose shares remained remarkably stable despite the announcement of heavy losses, and Audiofina, the holding company, whose shares rose to record heights. (Audiofina holds a controlling stake in the Compagnie Luxembourgeoise de Telediffusion.)

Mr Israel's view is that domestic companies will remain the core business on Europe's larger stock exchange, but that – at least in Luxembourg – the drive for a European single market will "bring more players into the picture."

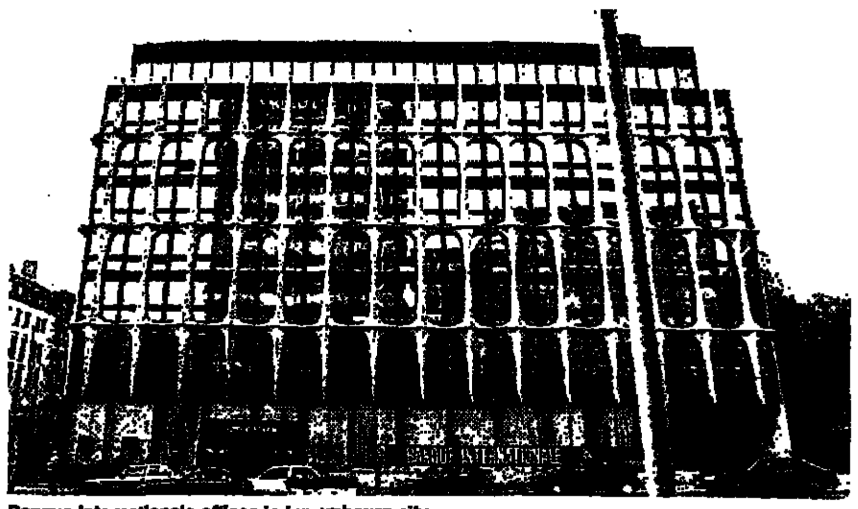
Elizabeth Wise

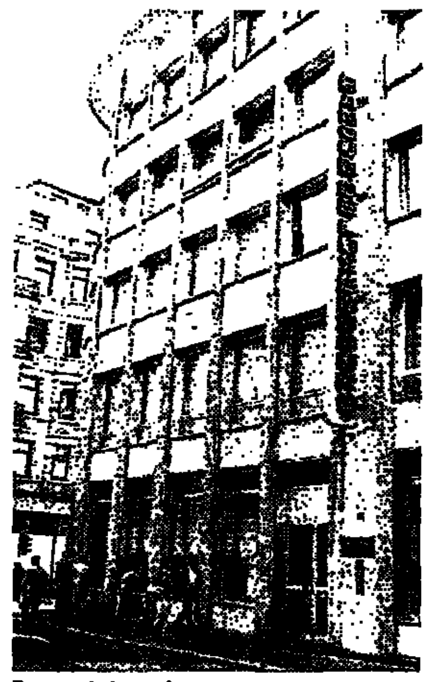
Trading floor activity is still only between 10.45am and 1.15pm Terry Kirk

LUXEMBOURG III


The Banque Générale branch at Remich Tony Kirk


The Banque Portugaise in Luxembourg


Banque Internationale offices in Luxembourg city


Banque de Luxembourg Glyn Genin

The banks have proved resilient in the face of increasing competition, reports **Lionel Barber**

Last year's profits flowed like wine

THIS month's gala reception in the spa town of Mondorf-les-Bains was a glittering occasion for the Grand Duchy's leading bankers. Mr Jacques Santer, Luxembourg's prime minister, was present; so was Crown Prince Henri. The wine flowed almost as fast as the past year's profits.

This has been an outstanding year for Luxembourg's banks. The industry proved much more resilent than expected in the face of increasing competition and the sharp economic downturn among its neighbours, particularly Germany.

Yet behind the story of steady expansion, there are nagging concerns.

Fresh efforts to introduce an EC-wide withholding tax threaten one of the cornerstones of the industry. At the same time, there may be less to the surge in 1992 profits than meets the eye – it was almost certainly inflated by the influx of German savings seeking a safe haven from the Bonn government's tax net.

The Luxembourg Bankers Association (ABBL), the principal organisation representing the industry, has grasped the danger of being branded a tax haven whose principal strength lies in exploiting fiscal anomalies within the EC. It has come up with a three-pronged counter-attack.

First, the ABBL argues that the Grand Duchy may be ready to strike a deal on withholding tax, but only if the new arrangements cover OECD countries. This means Switzerland, as well as tax havens such as the Channel Islands, Gibraltar, Lichtenstein and Monaco.

Second, the ABBL has launched a campaign to convince the rest of the world that Luxembourg's investment in technology, innovation and training means that its status as a leading financial centre is secure, even if Europe's politicians choose to tinker with the tax rules.

Third, the Association is trying, with some success, to reduce the industry's high cost base. This means introducing much more flexibility into salaries to reflect responsibility and performance and break the traditional link with inflation.

Occasionally the campaign errs on the over-optimistic side. A recent survey by Arthur Andersen, the international management consultants, concluded that Luxembourg's banking industry was entering a period of consolidation; but it also reported a remarkable confidence among executives working for the Grand Duchy's financial institutions.

Looking ahead to the year 2000, the survey cheerfully predicted that the amount of funds under management could reach \$750bn; operating profits could amount to \$5.3bn; and staffing would be about 20,000. Meanwhile, the number of banks was likely to rise from the present 220 to more than 250. Yet the survey also acknowledged that these headline figures assumed an unchanged fiscal and regulatory environment.


Pierre Jaans, head of the Luxembourg Monetary Institute, the financial regulator

Some may disagree that this is a "reasonable" assumption; others would concede, however, that the industry has matured over the past 10 years as it has developed new services in private banking, custodial services, and financial instruments.

During this period, there has been a steady move away from reliance on interest income, where margins are being squeezed by competition as a source of revenue.

In 1992, net interest income grew by 8 per cent only; it also dropped as a share of gross results to 70.8 per cent, the lowest level ever recorded – a shift which can be explained largely by highly profitable foreign exchange and securities trading. Like London and New York, Luxembourg knew how to exploit the recent upheaval in the European Exchange Rate Mechanism.

Mr Chris Cottrell, head of the Fleming Flagship Fund, whose total net assets passed \$1bn this year, says that Luxembourg's chief attraction lies in its proximity to the French and German markets and its ability to implement legislation without delay. This was true of the investment fund law in 1989; but it will also apply to the new USITS unit trust legislation scheduled to come into force next July.

Flemings employs 120 staff from 14 different countries. This same multilingual, multinational spirit infuses leading local banks such as Banque Generale de Luxembourg. "We hire good young people," says Mr Paul Meyers, a senior executive, "and we invest heavily in information technology."

Banque Generale's development shows how it has diversified from its more traditional business of supporting local industry, as shown by its continuing minority equity stake in Arbed, the steel-maker. The Luxembourg bank recently set up the Northumberland Group in the UK which employs 40 people specialising in Personal Equity Pensions; and it has expanded its expertise in fund administration to the point where it has 295 compartments managing more than 100 funds.

Among US banks in Luxembourg, Chase Manhattan offers an example of the development of private banking services. Chase's target market is the individual with a minimum of \$1 million capital. (Exceptions are made if the client has \$500,000 and has good prospects of quickly hitting the \$1m mark). Many of Chase's clients are owners of small and medium-sized businesses in neighbouring Belgium, France and Germany.

Mr Pierfranco de Vita, general manager of Chase's private banking branch, which reports to a head office in Geneva, says that clients are attracted at the prospect of being able to tap into Chase's other services such as corporate finance. "Most of the clients are already offshore, so it's not new money," he says, "but we are offering all-round services."

Chase's self-styled "Know Your Client" policy is a useful marketing tool in the wake of the collapse of the Bank of Credit and Commerce (BCCI), whose operations remained for a long time a mystery not only to Luxembourg authorities but also to the Bank of England.

Mr Pierre Jaans, the head of the Luxembourg Monetary Institute, (IML) the Grand Duchy's financial regulator, says the authorities are now much better equipped to deal with rogue banks such as BCCI.

Last April, the second EC banking directive and the money laundering directive passed into law – supported by IML circulars on solvency ratios and so-called "own funds". Mr Jaans argues that BCCI was a legacy of a much more lax regulatory environment in the 1970s, which was true of Europe as a whole.

The European Investment Bank

A listener who both lends and borrows big

AS a founder member of the European Community, Luxembourg has never been shy of making a pitch for a new EC institution.

Its campaign to capture the future European central bank has drawn much attention, but this has tended to obscure the presence in the Grand Duchy of an increasingly powerful international financial institution in its own right: the European Investment Bank (EIB).

The EIB's central task is to provide long-term finance to promote economic integration in the EC, most recently through the completion of the Single European market. But the bank is moving rapidly into new areas, ranging from the provision of funds for telecommunications networks in Bulgaria to the management of Euratom money for making nuclear reactors safe in the former Soviet Union.

Today, the EIB's lending and borrowing is bigger than the World Bank.

It has a leading role in the European Commission's growth initiative to get the European economy under way; and it has a forceful new president, Sir Brian Unwin, a former head of the UK Customs and Excise who spent the last part of a 30-year-long career in Whitehall battling alongside Mrs Thatcher for a bigger EC budget rebate for Britain.

It is tempting to suggest that Sir Brian is a poacher-turned-gamekeeper. He prefers to describe himself as an EIB old boy, having earlier served as a British nominee to the EIB board. Insiders predict that this experience will make make him a good less circumspect about stamping his authority on the institution and shaping relations with its political masters in Brussels.

"We need to be a more active," said Sir Brian in an interview in late summer in his Luxembourg office. "Political control is in the European Community and the apex is the council of ministers. But it is very important to play an active role to shape the policy. The bank must be heard at all levels of the EC structures."

This suggests that the EIB has been to willing to play "the listening bank". Its lack of political punch was underlined three years ago, when Chancellor Helmut Kohl bowed to French pressure and agreed to set up the Bank for European Bank for Reconstruction and Development in London. Many believe that the job would have been handled better by the EIB.

The new bank's new portfolio includes:

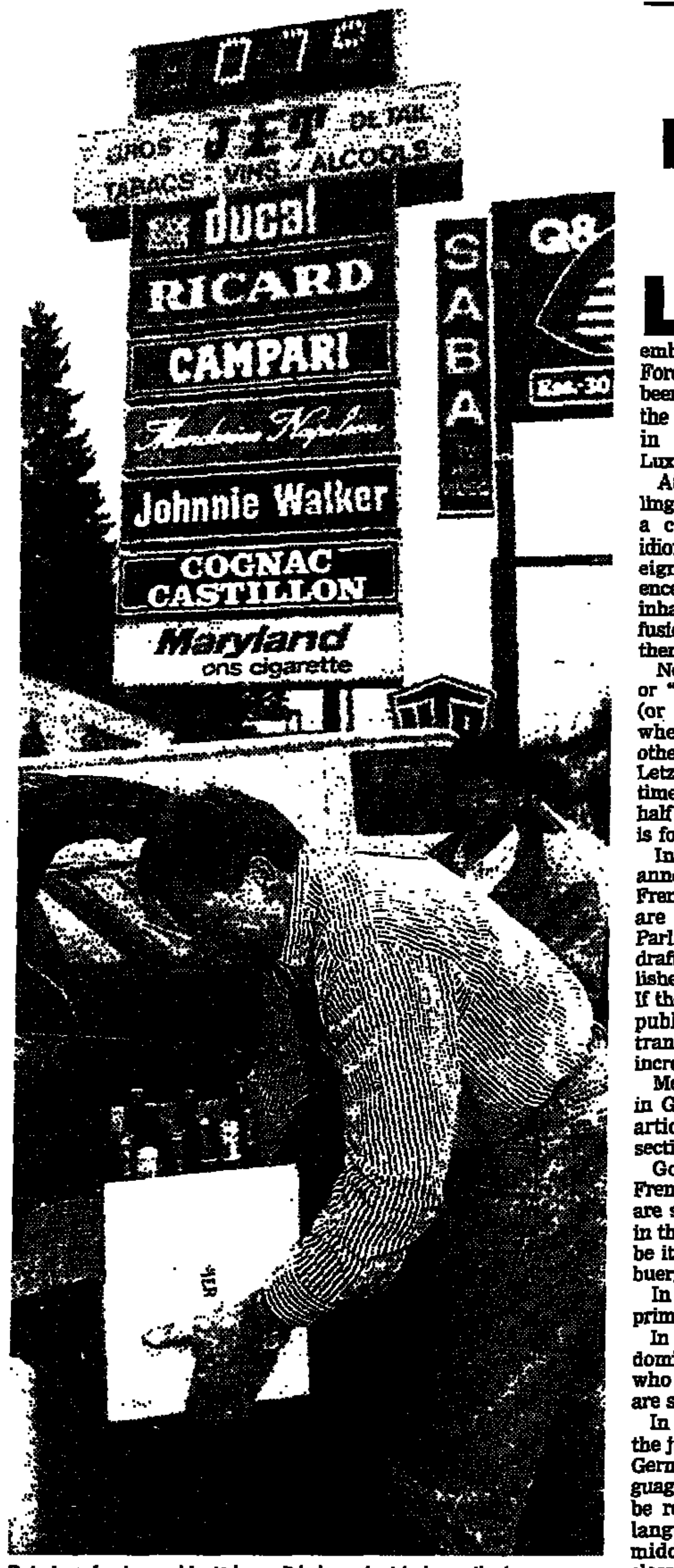
- Operation of the new Ecus 2bn package of subsidised loans and grants set up as part of the EC's deal with the European Free Trade Area states known as in the European Economic Area (which excludes Switzerland);
- A key role in the new Cohesion fund for Greece, Ireland, Spain and Portugal, as well as the newly enlarged Structural funds agreed in the December 1992 seven-year EC budget deal;
- Lead role in implementing the 1992 Edinburgh summit's growth package. This includes a temporary lending facility of Ecu 5 bn earmarked for trans-European networks in 1993 and 1994, particularly in telecoms, transport and energy.

The Edinburgh agreement also covers a new financial instrument: the European Investment Fund. This is a novel semi-government agency which will draw on public and private capital to funnel finance to small and medium-sized businesses.

Continued on next page

Jul Christophory gets to grips with the Grand Duchy's local lingo

Just a little Letzebuergesch as she is spoke



Duty free: foreign residents know it is important to know the language

LETZEBUERGESCH is the language of everyday communication of Luxembourgers with each other. Foreign observers have always been at a loss to pigeon-hole the one language really spoken in Luxembourg by native Luxembourgers.

At first sight, the country's linguistic situation seems to be a curious cocktail of three idioms mixed with a large foreign population – and influenced by the pragmatism of its inhabitants, much to the confusion of many Luxembourgers themselves.

Nowadays, when "Jos", "Pit" or "Mich" dials a number, he (or she) will first inquire whether the person on the other end of the line speaks Letzebuergesch or not. Half the time, he/she will not – nearly half of the working population is foreign.

In Parliament, official announcements are made in French but most of the debates are held in Letzebuergesch. Parliamentary documents and draft laws, as well as their published texts, are also in French. If they are destined for a wider public circulation, they are translated into German (and increasingly, into Portuguese).

Most newspapers are written in German, with some French articles, mainly in the arts section.

Government offices use French as far as possible, but are supposed to answer letters in the language of the inquirer, be it German, French or Letzebuergesch.

In church, German is the primary language.

In the courts, French is the dominant language. (Lawyers who plead in Letzebuergesch are still considered mavericks.)

In primary schools and in the junior classes of the lycées, German tends to be the language of instruction – only to be replaced by French as the language of instruction for middle school and senior classes.

Letzebuergesch will not normally be used for teaching purposes, but teachers use it for informal conversation – and pupils are always reprimanded in Letzebuergesch.

Nobody would ever speak French or German in public unless addressing a foreign guest.

However, in many a high street, when ordering a beer in a bar or inquiring in a shop, you may wish to speak French because nowadays most staff come from France, Belgium or Portugal.

This seemingly intractable state of affairs is deeply rooted in history.

Up to 1839 the Duchy's territory was situated on the dividing line of the Germanic and Roman languages; it consisted

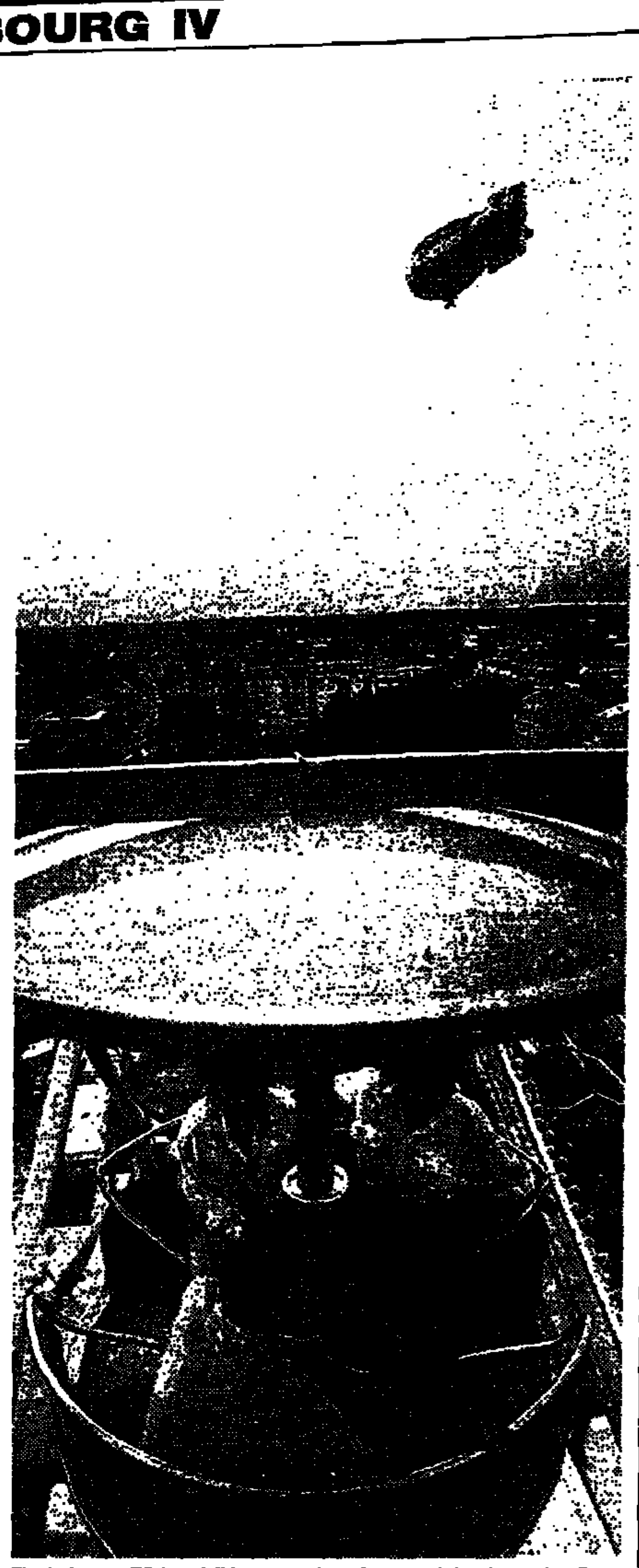
Novels and poetry are written in it, films are shot in it, local radio thrives in it, Asterix and Tintin books for children are translated into it

of two geographical parts: one French and one Germanic (that is, Letzebuergesch) speaking region.

When the French-speaking region was incorporated into neighbouring Belgium in 1839, and Luxembourg was reduced to its present size, bilingualism still prevailed – with a strong preference for French, especially among the educated élites.

Letzebuergesch remained the language of everyday communication. German (as in Switzerland) was the written expression of a dialect rooted in peasant culture.

Increasingly, though, Luxembourgers now consider Letzebuergesch to have achieved the status of a language *per se*. For Letzebuergesch is alive and well, spoken by almost 100 per cent of the native population. Novels and poetry are written in it;, films are shot in it; Asterix and Tintin – beloved heroes of children's stories – are translated into it; local radio broadcasting is thriving in it. Since last year there has been a one-hour daily news bulletin in Letzebuergesch on television.



Floated as an EC 'official' language, Letzebuergesch is alive and well

In a rapidly evolving Europe, Letzebuergesch has become Luxembourg's one real symbol of national identity. This stems from the the second world war. A plebiscite was forced upon the country by the occupying forces; the Nazis implied that, in answer to the question asking which language was spoken, Luxembourgers should specify German. When it became clear that a whispering campaign was spreading the word that everyone should specify "Letzebuergesch", the Germans called off their plebiscite.

Since that time – as a reflection of its weariness about being bullied around by foreign powers – Letzebuergesch has come to personify the Luxembourg spirit.

What, then, is Letzebuergesch like?

For linguists it is the western-most branch of Moselle Franconian (Moselfrankisch): it originated with the invasion of the Rhenish and North Sea Franks who began to settle around the river Moselle during the 3rd century AD.

In layman's terms, this means that its consonants are roughly halfway between High German and Dutch. Its vowels are something else altogether. And there are syntactical particularities.

To regard Letzebuergesch simply as a predominantly Germanic dialect, however, is to tell only half the story. Even in its heyday – in the 15th century, when a Luxembourger sat on the throne of the Holy Roman Empire – the lands of the Dukes of Luxembourg contained more French than German speakers.

Luxembourg has therefore always looked westwards, and this is reflected in its vocabulary ("d'fotell": *le fauteuil* in French: armchair), and in an enormous number of verbs ending in "-eieren" (for example: "proposeieren"), devised whenever Luxembourgers need a new word and do not want to look to Germany to find it. For most Luxembourgers, German is as much a foreign language as French.

Thanks to its position as the language of a sovereign state, Letzebuergesch has managed to avoid the decline suffered by

Official spelling had already been introduced in 1975, but most Luxembourgers do not really care – they go on writing phonetically

other "little" languages of Europe. By a law of 1984, it has officially become Luxembourg's national language. (An "official" spelling had already been introduced in 1975 – but most Luxembourgers do not really care; they go on writing phonetically.

Foreign residents in Luxembourg know how important it is to know the language – be it only to catch bits of local gossip at the village stores. Language courses are thriving. As a result of the sorry state of Luxembourg demographics, there may be fewer Luxembourgers, but there is an ever-increasing number of Letzebuergesch speakers.

An important political party has even considered whether Letzebuergesch should be elevated to the status of official language for the European Community – with the proviso that Luxembourg itself would refrain from insisting that it be used as a working language. But who knows?

Jul Christophory is head of Luxembourg's National Library

Elizabeth Wise investigates the multi-lingual insurance sector

Life business has doubled in the past year

THE life insurance business has doubled in the past year and insurers are still arriving in force to join firms from Europe, Japan and the United States.

If Dublin's new status as an insurance paradise causes Luxembourg any worry, it doesn't show. Business is booming, says Mr Victor Rod, director of Luxembourg's insurance commission, which serves as regulator and supervisor for 70 insurance companies and 185 reinsurers working in the country.

While the list of direct insurance companies includes well-known names – from Belgium's AssuBel to Switzerland's Winterthur – almost all

Dublin has been a challenge ever since Ireland cut its tax rate to 10 per cent for insurance firms coming before 1994

the reinsurance operating in Luxembourg are captives – insurance wings of industrial companies, banks or commercial institutions set up to insure themselves. "All our names are big names", Mr Rod says.

"There are a couple of British names extremely interested," he adds, but declines to name them – hinting that he is competing with Dublin.

Dublin has been a challenge ever since Ireland cut its tax rate to 10 per cent for insurance firms which would set up shop in Dublin's docklands before 1994 and employ at least 10 workers. But the tax break ends in 2004.

Mr Rod admits that the Grand Duchy may have lost some key prospective customers to the Irish capital, and Luxembourg applications have waned slightly. But he says that there is no serious threat from Dublin, adding: "They consider us much more as competition than we do them".

He feels the establishment of Europe's single market has secured Luxembourg's position on the insurance map. As insurers seek to attract customers around the European continent, he predicts that they will opt for a branch in Luxembourg with a multilingual staff able to market products in various countries.

"Try to sell a policy written in English to a Frenchman," he challenges, arguing that a single, Luxembourgeois sales force can sell to clients in France, Germany and Belgium. He says that some British insurers are considering forming subsidiaries in Luxembourg, because marketing to the rest of Europe might be easier if it's not "too British".

Insurers from several EC states are forming joint ventures to win business their national regulations will not allow – or simply to win a not-so-domestic image palatable to foreign customers, Mr Rod says. "They could do it from France or from Germany. But they prefer a neutral base".

Life insurance business in Luxembourg grew by 148 per cent in a single year, Mr Rod claims, as a result of the establishment of new, pan-European companies which use the (EC) free movement of services to serve clients in several countries. Life insurance premium income rose to LFr14.6bn in 1992 from LFr5.9bn francs a year earlier. Mr Rod predicts another doubling in 1993, and "dramatic increases in the coming years". Non-life insurers took in LFr19.5bn francs last year.

He also says that the new ventures are bringing new products to the market. British-style, high-yield USITS, or investment fund linked policies, are finding their way on to the continent.

"There is a healthy mix which could give some interesting cross ideas," says Mr Tim Yeates, managing director of the Luxembourg branch of Unisom Management, a company managing some 400 reinsurance companies worldwide.

The tradition of discretion in banking also applies to insurance companies, and insurers benefit – just as banks do – from the absence of withholding tax.

But entering Luxembourg's insurance market costs more than in other choice spots. The minimum capital is LFr50m, 10 times what it costs to set up in Bermuda. And management must be domiciled in the Grand Duchy in order to avoid what Mr Rod calls "letter box" business.

Insurers come under Luxembourg's 39 per cent tax bracket, but they may put nearly all their profits into tax deductable "reserves", or savings for eventual payments in case of catastrophe. Taxable income, therefore, is next to nothing. "It's much more a tax holiday than a tax freedom," Mr Rod explains. Any reserves remaining when the insurance policy expires, are taxed.

Insurance companies held LFr65bn in investments in Luxembourg last year, up from LFr48bn in deposits in 1991. Reinsurance firms had LFr120bn worth of reserves deposted in 1991.

The drawback of putting profits into reserves is that firms may not dip into profits to pay dividends. Mr Rod admits that companies wanting quick returns might be better served in Dublin, where firms see their profits each year.

But reserves keep companies from closing under the weight of catastrophe payments, he says, adding: "Those companies which really are confronted with catastrophic exposure in the long run have every interest in coming to Luxembourg."

'Those companies which really are confronted with catastrophic exposure in the long run have every interest in coming to Luxembourg'

Luxembourg has an interest in getting those companies, too. Insurance, maritime and stock exchange structures were set up to expand the financial centre. Banks here "get a big share of these investments" made by insurers, and because nearly two thirds of premium income is ploughed into bonds, the business is also good for Luxembourg's stock exchange.

Luxembourg may not win a reputation as an insurance capital, says Mr Rod. "The insurance community will never be as important as the banking community, but it's growing, and it's growing very fast".

As for the Dublin challenge, Mr Yeates says that insurance services offered by the two cities need not detract from one another – and may be complementary. As for Mr Rod, he feels his country's position in the field is secure.

The EIB lends and borrows big

Continued from previous page

At the latest count, some 30 banks are positively committed to subscribing to the target of 30 per cent of the subscribed capital of Ecus 2bn, with the rest supplied by the European Commission and the EIB itself.

There is, however, another explanation for the EIB's higher profile.

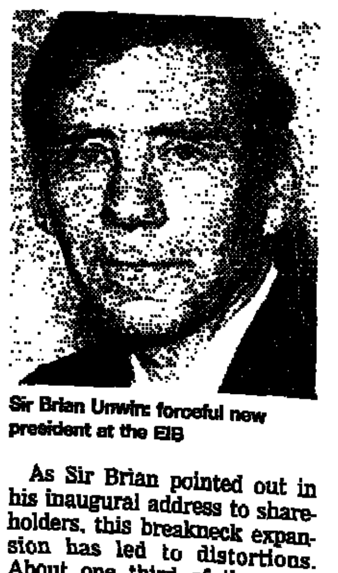
The EIB's shareholders – the 12 EC member states – have been less willing to fund new infrastructure projects directly. With growing budget deficits and increasing pressure to meet the Maastricht treaty's convergence criteria, the emphasis is on fiscal constraint.

"We looked around and the EIB was the obvious source of capital," says one European Commission official.

The challenge is to ensure that his newly enlarged portfolio fits into the Bank's core business: the promotion of greater economic cohesion in the EC, mainly through high-quality loans and underwriting capacity. These are still based on a triple A credit rating, which Sir Brian describes as the bank's most precious asset.

Ten years ago, the only country outside the EC in which the EIB was involved was Yugoslavia. Today it lends to African, Caribbean and Pacific countries (ACP), as well as to Latin America, Asia and, increasingly, eastern Europe. The EIB has also arranged a lending programme for the Baltic states – its first move into the former Soviet Union.

Lending outside the EC area still accounts for only about 5 per cent of the total loan portfolio. But it comes amid a significant expansion in the EIB's overall activities. Between 1983 and 1992, lending has risen from Ecu 6bn to Ecu 17bn. This year it could exceed Ecu 20b.



Sir Brian Unwin: forceful new president at the EIB

As Sir Brian pointed out in his inaugural address to shareholders, this breakneck expansion has led to distortions. About one third of the staff, which is nearly 800 strong, works on less than 10 per cent of the EIB's lending. In other words, while lending has increased by 80 per cent over the past five years, staff numbers grew by only 12 per cent. And the bank, says Sir Brian, already has a formidable amount of business on its plate.

It faces a tricky diplomatic task in relations with other EC agencies such as the European Bank for Reconstruction and Development (EBRD) and the European Commission; each has its own ideas on how best to promote the integration of Europe, east and west.

But Sir Brian, who calls himself "a lot of a European", has no intention of "going native" like some of his fellow countrymen on the continent. There is a strong practical edge to his character, coupled with a hard-headed optimism about the future prospects of the EC. This is a man committed to making the Community's often unwieldy institutions work.

Lionel Barber

Equities continue to hit new peaks

By Steve Thompson

UK SHARE prices resumed their upward path yesterday, with the FT-SE 100 Index bursting through into new territory and reaching fresh intraday and closing peaks.

The latest upsurge was fuelled by encouraging economic news, plus another general advance by European bourses after Germany eased its money rate lower in the wake of satisfactory money supply data.

Adding to a very confident mood around the equity market was the exceptionally strong performance of gilt-edged stocks after news that there will be no gilts auction in November, which some market strategists said would release something like £3bn worth of institutional cash otherwise earmarked for gilts.

Dealers said the market had been gripped by the improved chances of a series of European interest rate cuts, possibly starting today when the Bundesbank council meets to consider monetary policy in the wake of the money supply figures for September.

The trading session in London was featured by a sharp increase in the number of trading programmes and basket trades being executed by the big securities houses. A large programme trade carried out by one of the big UK houses was said to have been behind Tuesday's fall in UK share prices, but yesterday saw a flurry of buy programmes, and a significant amount of basket trading, where dealers arbitrage between the Footsie future and cash market.

Share prices began the day on a cautious note, with dealers marking the leaders lower after the largely uninspiring performance of Wall Street overnight and concern over the day's economic news.

But buyers quickly moved into the marketplace, gaining the upper hand and driving shares higher. They first made their presence felt in the futures market and the effects quickly filtered through into the cash market, where the FT-SE 100 saw an initial loss of around five points transformed into a 20-point plus rise in mid-morning, after the September retail sales and money supply news had been digested.

A dull start by Wall Street caused few problems for London and the FT-SE 100, having reached an intraday high of 3,156.9, settled a net 26.7 stronger at 3,156.3. The FT-SE Mid 250 closed 20.3 up at 3,507.1.

Turnover expanded rapidly throughout the session, eventually reaching 744.1m shares, with non-Footsie stocks accounting for around 63 per cent of that total. The value of customer business transacted in London on Tuesday was a hefty £1.7bn, well ahead of usual levels and an indicator that the big institutions had continued as aggressive purchasers of UK stocks.

The widely held view among many senior traders in London is that the Footsie could still have considerable upside, possibly to 3,250, in the short term. "You cannot ignore the weight of money, but perhaps now might be the time to start to lock in profits," said one of the leading marketmakers at a UK house. Another was concerned that some of the "short-term US money" may move on to other European markets. But all agreed that the big UK institutions saw no reason to pick the top of the market.

Mr Nick Knight, strategist at Nomura and one of the market's biggest bulls, reaffirmed his message yesterday: "3,500 here we come."

TRADING VOLUME IN MAJOR STOCKS

Volume 000's / Closing Price / Day's change

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Oct 4	Oct 18	Nov 1
Option Declarations:		
Oct 14	Oct 28	Nov 11
Last Dealings:		
Oct 15	Oct 29	Nov 12
Account Day:		
Oct 25	Nov 8	Nov 22

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 3156.3 +26.7 — FT-SE MID 250 3507.1 +20.3 — FT-A ALL-SHARE 1557.69 +11.77

Hourly movements

FT-SE Actuaries 350 Industry Baskets

Lasmo under pressure

STRONG speculation regarding board changes at Lasmo, the independent oil exploration group, left the shares trailing the market yesterday. They finished a turbulent session off 3¼ at 137¼p, after 136p, as the company denied that the finance director was about to resign. A company spokesman said: "There is no truth at all in the story."

The rumour of the departure of Mr Michael Pavia as Lasmo finance chief is said to have rumbled in market circuits for some time, but it was yesterday boosted by provincial brokers. Some market watchers have dismissed the revival of the speculation as an effort to head off a good performance in the shares.

One industry watcher said that the resignation of Mr Pavia would not be surprising and that the finance director was one of a couple of top executives seen as vulnerable since Lasmo's acquisition of Ultramar in late 1991. Although he added: "It would be a bit of a retrospective action."

Market talk in the summer that Mr John Walmsley, the former finance director of Enterprise Oil, could be attracted to such a position at Lasmo was given a new lease of life. Trading in Lasmo stock was above average at 5m.

WH Smith strong

With the executive changes at W.H. Smith largely discounted prior to yesterday's agm, the probability of a share restructuring became the main focus of investor interest. The high-voting "B" shares immediately jumped to a hefty premium, with analysts reporting guarded comments from Smith directors to the effect that the dual structure will probably be reformed once the "B" shares regain a healthy premium to the "A" stock.

The "B"s have five times the voting rights of the "A"s, with both prices generally reflecting this gap. However, the board hints over the "B"s sent the tightly traded category – which has large tranches held by directors and family – sharply forward, closing 6 ahead at 98p. The "A"s added 9 at 479p. Stores specialists said the retirement of Sir Simon Hornby and the top-level reshuffle that will follow is unlikely to have any effect on the Smith management style.

Guinness firm

International drinks group Guinness was once again the focus of attention as NatWest Securities launched a £100m warrant, which gives investors the chance to buy the underlying ordinary shares. The move will go some way to shoring up investor confidence in the stock, which has recently been undermined by a series of negative stories.

Since its poor set of results last month, the shares have slumped 22 per cent on a raft of bearish rumours. Many of these have concerned Guinness's relationship with LVMH, with speculation rife that a restructuring is likely to the companies' 24 per cent cross-holding. Talk of executive changes was last week rewarded with the departure of the head of United Distillers. Yesterday, old talk of an LVMH rights offer was matched with rumours of a £400m Guinness bond issue.

However, NatWest said yesterday that it believed that Guinness represented "the best long-term growth stock in the drinks sector", and that the warrant had been driven by "strong customer demand".

Profits upgradings after a better than expected set of full-year figures from aerospace and medical products group Smiths Industries drove the stock sharply forward to record one of the day's biggest advances in the market.

The shares closed 39 ahead at 394p on active trading of 3.8m, after Smiths reported a rise in profits from £102.2m to £104.6m, against market predictions of around £99m.

Strauss Turnbull raised its current year forecast by £5m to £110m, although many are predicting profits for this year of £115m. Mr Mustapha Omar at Williams de Broe, a long-time bull of the stock, is sticking to his forecast at the top end of the range at £119m.

He said: "Even after today's share price move, Smiths' price/earnings ratio for the current year is still at a discount to the market. There is scope for a cyclical bounce in earnings in the industrial division which will benefit profits."

A clutch of recommendations lifted Commercial Union, the shares advancing 11 to 636p. Brokers at Credit Lyonnais Laing were said to be positive on the stock, as are those at Smith New Court. Mr Steven Bird at Smith believes "the market continues to undervalue its life operations and it has yield attractions as well".

The market trend helped to produce a bounce in the rest of the composites. General Accident put on 6 at 713p, while Royal Insurance finished 4 ahead at 323p, Sun Alliance gained 5 at 384p and Guardian Royal Exchange moved forward 5 to 216p.

Sentiment began to strengthen around BP, and US buyers were reported to be active again in the stock. Kleinwort Benson also added their voice to the BP support with a buy note. The shares climbed 6 to 339¼p.

Burmah Castrol moved ahead forcefully in a generally upbeat oil sector. The shares added 15 at 775p a day after the announcement by BZW of an auction of just over 1m of the shares from the company's recent enhanced scrip dividend.

Second line oil stocks again proved popular. Enterprise Oil firmed 4 to 503p and Hardy Oil put on 4 at 180p. Premier Consolidated Oilfields ended 2 up at 24¾p on exploration news.

Shell Transport went against the sector trend and lost 2 to 706p. In Kleinwort's buy advice on BP it had urged a hold position on Shell.

The strong market trend helped international conglomerate BTR overcome a reported profits downgrade from agency broker James Capel. However, it was said to have remained positive on the stock. The shares hardened 4 to 366p in strong business of 7m.

Yield buyers were seen for international group Hanson, helping the shares rise 4 to 273p in trade of 11m.

Bank of Scotland appreciated 6 to 192p after Kleinwort Benson advised investors to buy the stock. Analysts at the securities house believe its "growth potential has been underestimated by the market".

Further profit-taking in Standard Chartered saw the shares relinquish 14 to 1004p. Bargain hunters on the back of the strong market trend brought a bounce to National Westminster shares, 3 higher at 562p, and Barclays, which gained 4 to 562p.

BT's drive forward continued, with Hoare Govett voicing its enthusiasm in the wake of news of the group's move into the potentially lucrative video market. The shares added 8 at 472p. Profit-taking continued in Cable and Wireless, off 4 at 948p, and Vodafone, down 14 at 546p, with Lehman Brothers said to have downgraded profits expectations.

There was lumpy turnover in Scottish Power, up 7 at 410p, which reached 8.8m by the close.

Stores responded well to the latest retail sales figures and continued hopes of an interest rate cut. Argos rose 5 to 349p, Body Shop 5 to 205p, Dixons 4 to 281p, Kingfisher 5 to 647p, Next 6 to 195p and Storehouse 2 to 206p. Marks and Spencer received an additional boost from a Goldman Sachs upgrade, climbing 6 to 406p.

Engineering group FKI bounced 4 to 173p after NatWest Securities came out with a favourable note following the recent analysts' visit to the company's US operation.

NatWest said: "The group's ability to improve margins, generate a substantial amount of cash, and effectively redeploy that cash into bolt-on acquisitions . . . means that we remain convinced that there is scope for further outperformance over the long term."

The announcement by Wellcome of test results for its anti-viral drug Valaciclovir saw the shares rise 11¼ to 786¼p.

A negative note from Goldman Sachs was said to have undermined Granada Group, which slipped back 6 to 482p.

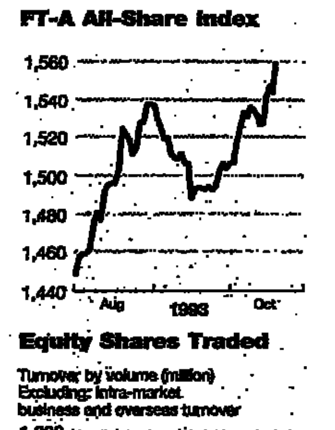
Bass, up 5 at 481p, was helped by reports of NatWest Securities moving from negative to neutral on the stock.

ICI retreated 18 to 709p in moderate volume of 1.8m, with James Capel reaffirming its negative stance.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Christine Buckley.

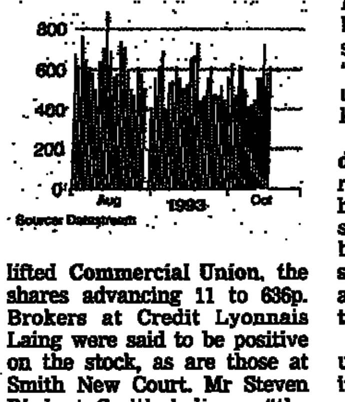
■ Other statistics, Page 22

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (288).
BRITISH FUNDS (46) OTHER FIXED INTEREST (8) AMERICANS (2) Bellsouth, Dun & Bradstreet, BANKS (2) Allied Irish, Bank of Ireland, BREWERS (1) Regent Inns, BLDG MATLS (4) BMSS, CRH, Gibbs Dandy A, Sharpe & Fisher, BUSINESS SERVS (5) Dart, Hays, Hutch. Whmp., ISS-Int. Serv. Sys. B, Johnson Cleaners, CHEMS (3) BASF, Bayer, Euro. Colour, CONGLOMERATES (4) AGA, Goode Durrant, Hanson, Do. 9¼pc Bd., CONTG & CONSTRCN ...

... A Coombs, Derwent Valley, Ests. & Agency, Frogmore Ests., Greycoat, Helical Bar, Moorfield Ests., Shaftesbury, Slough Ests. Pf., Tops Ests., Trafford Park, STORES (4) Asprey, Brown (N), Carpetright, Stylo, TELE NETWORKS (2) Bnt. Telecom, Security Services, TEXTS (4) Alexandra Workwear, Lamont, Parkland A, Shiloh, TRANSPORT (2) BAA, Bergesen A, SOUTH AFRICANS (1) SASOL, PLANTATIONS (2) Bertam, Highlands, MINES (8) Baleyrchik, Blyvoor, F.S. Cons., Loraine, Naven 5pc Nts., Owoct, St. Helena, Western Areas.
NEW LOWS (4).
ELECTRICALS (1) Lec Refrigeration, MEDIA (2) Blenheim 6.4pc Pf., Gold Greenlees Trott, MISC (1) Delaney.

FINANCIAL TIMES EQUITY INDICES

Volume	Oct 20	Oct 19	Oct 18	Oct 15	Oct 14	Year ago
SEAQ Bargains	32,269	32,837	34,349	39,281	28,008	32,243
Equity Turnover(£m)†	-	1750.7	1334.0	1800.3	1385.9	1543.1
Equity Bargains†	-	37,454	38,116	43,253	31,812	36,344
Shares traded (mil)†	-	615.2	563.1	723.3	562.1	691.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
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LONDON SHARE SERVICE

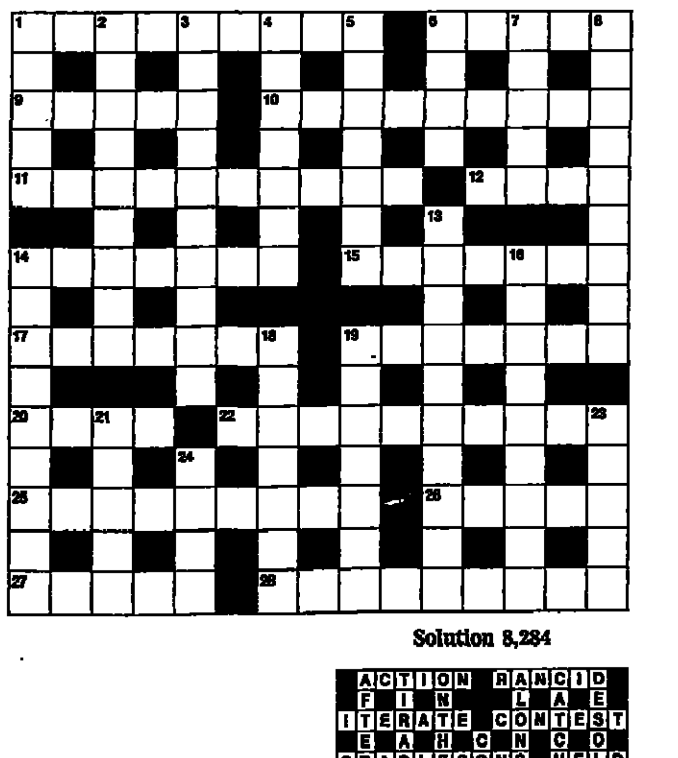
BRITISH FUNDS

OTHER FIXED INTEREST

Continued on next page

CROSSWORD

No.8,285 Set by HIGHLANDER

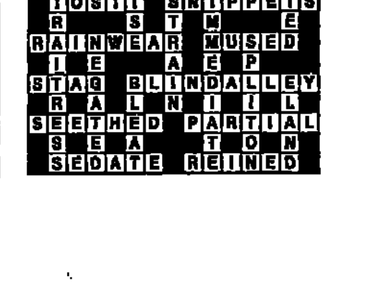


ACROSS
1 Sleepy left and the cigar went off (9)
6 Authentic married state (5)
9 Go slow on land but not in water (5)
10 Of necessity, they say, uses hands to press mould (5,4)
11 Carried out after democratic leader is attacked (10)
12 Starts to find excuses to exploit garden party (4)
14 Waking up from topless drinking spree (7)
15 One travels to old Sumerian city first (7)
17 Needed for metabolism: after six in the morning can set outside (7)
19 What's in National Gallery is article made by skilled worker (7)
20 Lots of paper about before midday (4)
22 Deterioration produces it, which involves politician and RAF (10)
25 Do needlework on brand outside – Dior perhaps? (9)
26 Heads every year. take place over (5)
27 The old people in Arabia (5)
28 Literary collections pad income out (9)

DOWN
1 Clear leaders of London underground investigating team (5)
2 Vehicles ran on time to game (9)
3 Everything identical? Nevertheless it's immaterial (3,3,4)
4 Regular soldier in charge of troops (7)
5 Fine name for several pontiffs (7)
6 Flower climbed out of bed (4)
7 To provide entertainment one needs a source of inspiration (5)
8 Decrepit relative hasn't finished with a round figure (4-5)
13 Thrown by Comic Cuts and repaid in funny manner? (7,3)
14 Lady is crazy about poetry in a detrimental way (9)
16 Closely examined what Morse did (9)
18 Travelling in coma, wandering about Germany (7)
19 Replaced letters by two articles on weight (7)
21 A. Longbottom's collection of recordings (5)
23 Plan for saving Hardy girl has one (5)
24 Sound of disapproval confronts new benefit (4)

JOTTER PAD

Solution 8,284



EQUITY FUTURES AND OPTIONS TRADING

STRENGTH returned to the Footsie futures yesterday, with trading sending the December contract upwards for most of the session, writes Christine Buckley.

It opened a point up from the previous day's close at 3,149 and pushed on with a rally that gained momentum until it touched 3,183 at midday.

Traders were mainly in a positive mind with their sights set again on anticipated interest rate cuts. The retail sales figures further buoyed their optimism.

After lunch there was a small change of fortune, mainly triggered by selling from independent traders wishing to send the contract lower. But with most investors resisting similar action, it showed little signs of a downward intention. The independents then tried to recoup losses and began buying the contract.

December finished at 3,177 - a gain of 28 on the day and just over 5 points ahead of its fair value premium to the cash market which stands at about 15 points.

Volume was 9,149 - slightly above the average for recent sessions.

Traded options again saw a significant amount of action in the index options as traders hedge in anticipation of next month's Budget. Of the total of 35,965 lots dealt in traded options, 11,850 were in the FT-SE 100 option and 5,063 in the Euro FT-SE.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	18¼xd	-⅞	20⅝	15⅝	16,430	2.5
Allegheny & W ♥	554p	-1	722p	399p	317.4	3.8
Amdahl	338p	+12	591p	294p	377.3	1.0
Amer Cyanamid	38½	-½	39	31¼	3,489	3.0
Amer Express	22⅞xd	-⅛	25⅛	14⅞	10,767	3.0
Amer T & T	39⅞xd	+¼	49¼	33⅛	53,794	2.2
Ameritech	58⅛	+⅛	58¼	46	25,449	4.3
Anheuser-Busch	32½	-⅛	41⅛	29⅞	8,898	3.0
BankAmerica	29⅝xd	-¼	33⅛	27⅛	10,178	3.3
Bankers NY	52⅝xd	-⅞	54¼	42⅝	4,323	4.0
Bell Atlantic	43⅞	-⅛	44⅛	32¼	18,858	4.1
BellSouth	41⅞	+⅞	41⅞	32⅞	20,886	4.4
Bethlehem Steel ♥	10¼xd	+¼	13⅛	8½	927.7	-
Bowater	1251pxd	-28	1882p	1188p	483.3	3.2
CPC	31⅞xd	-⅞	34⅞	26	4,798	2.7
California Engy	1168p	—	1479p	1086p	212.3	-
Chase Manhattan	22⅞xd	—	24⅞	17⅞	3,570	3.5
Chrysler	35¼xd	-1	38⅛	21¼	10,286	1.1
Citicorp	24¼xd	+⅛	26	13⅞	8,884	-
Colgate-Palm	37⅞xd	-⅛	45⅞	32	6,047	2.5
Cont'l Bank	1748p	-13	1877p	1278p	1,784	2.3
Dana	39⅞xd	-⅛	39⅞	29⅞	1,799	2.7
Data General	689p	-2	951p	527p	169.8	-
Decora Inds ♥	101½p	—	140p	101½p	-	-
Dun & Brad	43⅞	+⅞	45⅞	37⅞	7,823	3.7
Eaton	32⅞	+⅛	34	25⅞	2,252	2.5
Echlin	21¼xd	-¼	21½	16⅞	1,238	2.2
FPL	26⅞xd	+⅛	27⅞	23⅛	4,893	6.2
Ford Motor	38⅞xd	-⅞	39⅞	28⅞	19,159	2.7
Gen Elect	65⅞xd	-⅛	67⅛	53⅞	55,992	2.6
General Host ♥	520p	-10	723p	456p	-	4.4
Gillette	39⅞xd	-⅞	42⅞	31⅞	8,768	1.4
Hasbro	20⅞	—	26⅞	20⅞	1,818	0.8
Honeywell	22½xd	+⅛	28½	20⅞	4,665	2.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
ADT $	580	-3	678	463	806.3	-
Adam & Harvey	235	—	235	196	10.1	6.4
Air London	78	—	82	58	8.86	5.8
African Lakes	47	—	68	37	3.31	5.3
Auto'ted Sec	141	+4	178	93	165.1	4.7
BET	131	+½	138	84	1,228	3.1
BNB Res	109	—	118	41	26.3	5.7
BPP	308	—	318	258	80.5	3.3
Barbour Index	225	+2	286	195	37.3	4.4
Black & Edg	1¼	—	1½	0½	6.09	-
Boustead	25	-1	27	15	21.3	‡
Bridgend	24	—	27	12	7.04	2.1
Brit Data Mangt	248	—	265	184	68.3	2.5
Brit Fittings	84	—	86	45	20.0	2.2
Brooks Service	70	—	73	54	8.43	0.9
Business Post	147	—	164	131	73.5	2.6
CRT	97	-1	109	86	31.2	3.8
Capita	184	+2	193	139½	87.2	1.4
Caskat	41½	-½	45	31	38.2	2.4
Chiltern Capital AS	23½	+½	58	16½	21.8	-
Christie Group	50	—	51	28	11.7	-
Chubb Security	352	+2	370	228	989.8	1.7
Comac	908	—	100	18	5.78	2.2
Corp Servs	35	—	37	6½	13.2	-
Coutts Consulting	72	-1	78	20	17.2	-
Dart	122	+7	122	50	18.6	3.4
Davis Service	222	—	258	138	228.8	4.5
EW Fact	104	—	104	65	5.89	5.2
Gardiner	27½	—	32	11	29.5	‡
Hays	277	+3	277	215	1,118	2.4
Hogg Robinson	238	+3	248	174	164.7	3.5
Holmes Protect S	39	—	78	35	17.2	-
Hutch Whamp HKS ♥	250	+3	250½	127	8,885	1.9
ISS B DKr	521¼	+1⅛	521¼	89¾	584.8	4.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

INVESTMENT COMPANIES

MEDIA

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Top Stock"
• Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
φ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)

yield, p/e ratio based on latest annual earnings. a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

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AUTHORISED UNIT TRUSTS

[illegible]

MW Investment Managers Ltd (0650)F

46 Court St, Haddington, E. Lothian 062-082 5887

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1262.3	1262.3	1283.6	—	3.5

Maldon Unit Trust Managers Ltd (1400)F

c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031-222 4242

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	137.8	137.8	141.8	—	4.10

Manulife Management Ltd (1000)F

St George's Way, Stevenage Dealings:0438-747414

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	183.7	184.3xd	197.1	-0.1	2.24
Gilt & Fxd Int	5	186.2	186.2xd	195.9	+0.8	6.71
Intl Growth	5¼	211.9	211.9	226.8	-1.8	0.20
North American	5¼	176.6	176.6	188.6	-1.8	0.31
Far East	5¼	236.3	237.9	254.4	-0.3	0.88
UK Smaller Cos	5¼	148.7	148.8	159.2	—	1.89
European	5¼	73.86	73.86	79.12	-0.20	0.17
Japanese Growth	5¼	48.76	48.76	51.85	-0.02	0.00
Managed P'folio	5¼	67.83	67.83	72.50	-0.20	1.41
High Income	5¼	188.40	188.6xd	201.7	-0.1	4.05

Norwich Union Tst Managers (1200)H

PO Box 124, Surrey Street, Norwich 0603 682234

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Master Trust	6	118.50	118.88xd	126.89	+0.14	1.44
UK Equity	6	134.61	136.23	144.93	+1.00	2.93
UK Equity Income	6	131.20	133.06	141.55	+0.79	3.49
UK Smaller Co's	6	115.61	118.75	126.33	+0.43	1.91
UK Equity Growth	6	123.13	124.65xd	132.61	-0.03	2.37
UK Index Tracking ♦ F	6	134.79	135.70	144.36	-0.27	3.20
Intl Index Tracking F	6	143.44	144.73xd	153.97	-0.12	1.01
International	6	223.48	226.15xd	240.58	-0.19	0.90
European	6	169.67	171.00	181.92	-0.37	0.57
Pan European	6	123.34	124.66	132.62	+0.44	1.44
Nth American	6	168.10	161.39	171.69	-1.30	0.64
Nth Amer Smllr Cos	6	170.27	175.85	187.07	-1.00	0.00
Japanese	6	96.70	97.26	103.47	-0.11	0.00
Pacific	6	219.65	223.64	237.91	+0.41	0.32
South East Asian	6	232.66	237.71xd	252.88	+0.73	0.56
International Bond	6	139.66	140.04	148.98	+0.42	4.80
Gilt & Convertible	6	114.12	114.24	121.53	+0.02	6.69
Property F	6	74.01	76.01	80.86	+0.08	6.80
Cash Deposit Accum F	0	109.60	109.60xd	109.60	+0.02	5.36

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Oct 20	325.9	336.5	+4.1	-
Prudential Corporate Pension Funds				
55 King's Road, Reading RG1 3AH 0734 494852				
Prudential Managed Funds				
Discretionary Oct 6	£250.42	259.32	+2.25	-
Equity Oct 6	£282.35	292.21	+3.82	-
International Oct 6	£42.04	43.13	+0.03	-
Intl Bond Oct 6	£21.61	21.88	-0.14	-
Fixed Int Oct 6	£133.29	134.80	+0.49	-
Index Linked Oct 6	£97.41	98.82	+0.85	-
Property Oct 6	£115.45	122.22	+0.47	-
Cash Oct 6	£34.06	34.06	+0.03	-
Pre-Linked Retirement Plan				
Managed Oct 6	587.70	612.20	+4.10	-
Cash Oct 6	308.10	321.00	+0.50	-
Prudential Pension Investment Account				
Pens Mngd	238.40	254.30	+0.40	-
Pens Mngd A	105.90	111.80	+0.20	-
Pens UK Eq	401.20	432.80	+0.40	-
Pens Intl	300.80	322.20	+1.20	-
Pens Global Eqty	134.50	141.60	+0.20	-
Pens Fixed	299.70	316.40	+0.80	-
Pens Index Lk	245.60	259.10	+0.20	-
Pens Property	92.80	97.70	—	-
Pens Cash	201.20	211.80	-0.12	-
Money Purchase Plan				
Discretionary (4)	137.80	146.70	+0.10	-
Equity (4)	140.50	151.20	-0.10	-
International (4)	136.30	145.40	+0.80	-
Global Equity (2)	138.50	148.80	+0.10	-
Intl Bond (4)	150.70	158.80	+0.20	-
Fixed Interest (4)	150.10	158.60	+0.20	-
Index Linked (4)	135.10	142.30	—	-
Property (4)	104.70	115.30	—	-
Cash (4)	116.40	122.30	—	-
Prudential Individual Life Funds				
55 King's Road, Reading, RG1 3AH 0734 494852				
Series I Life Funds				
Managed	770.0	810.6	+1.9	-

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable - Contd.				
Others				
Capital Guarantee Bond	105.7	111.3	—	-
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
Mixed	245.8	258.8	+0.8	-
UK Equity	233.8	246.1	+0.6	-
International	248.3	261.4	-0.5	-
American	251.1	264.3	-1.4	-
European	233.3	245.5	+0.1	-
Japan	247.2	260.2	-0.1	-
Pacific	355.2	373.9	+0.1	-
Technology	325.1	342.2	-2.7	-
Fixed Interest	182.4	192.0	+0.9	-
Indexed Linked	165.4	174.1	+0.4	-
Foreign Bond/Currency	232.3	244.5	-0.2	-
Cash	174.977	184.180	+0.021	-
Ethical	125.7	132.3	+0.3	-
Pens Mixed	718.5	756.3	+2.0	-
Pens UK Equity	799.9	841.9	+4.8	-
Pens International	776.3	817.1	-3.0	-
Pens Nth American	250.5	263.7	-2.4	-
Pens European	278.2	292.9	—	-
Pens Japan	299.3	315.0	+0.3	-
Pens Pacific	449.9	473.6	-1.1	-
Pens UK Fixed Interest	378.6	398.6	+2.3	-
Pens Index Linked	205.6	216.3	+0.6	-
Pens Cash	279.336	294.032	+0.036	-
Pens Property	215.77	227.13	—	-
Pens Ethical	163.1	171.7	+0.3	-
Edinburgh Inv	374.3	393.9	+1.2	0
Baillie Gifford Japan	256.9	270.4	—	-
Pens Global	97.8	103.1	-0.3	-
Pens Emerg Mkts	106.4	112.0	-0.6	-
Pens Overseas Bond	96.5	101.6	+0.2	-
Scottish Life Investments				
19 St Andrew Square, Edinburgh 031-225 2211				
Property	184.1	193.9	+0.1	-
UK Equity	344.8	363.0	+2.1	-
American	280.8	294.7	-2.6	-
Pacific	355.4	374.2	-1.4	-

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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John Govett (Channel Islands) Ltd (1000)F

[illegible]

Hill Samuel Fund Mgrs (Jey) Ltd (1000)F

[illegible]

Bank Von Ernst & Cie AG - Contd.

[illegible]

Banque Scandinave a Luxembourg SA

[illegible]

INVESCO International Limited - Contd.

[illegible]

Allantas Sicav

[illegible]

Banque Ferrier Lullin (Lux) SA

[illegible]

Banque Indosuez Luxembourg

[illegible]

Nikko Bank (Luxembourg) S.A.

[illegible]

Nomura Asian Infrastructure Fd SICAV

[illegible]

Nomura Rosenberg Alpha Fund Mark II

[illegible]

CA Securities Investment Fund Mangt Ltd

[illegible]

CDC International

[illegible]

Capital International

[illegible]

Cathay Clements (Holdings) Limited

[illegible]

Chameleon Funds Limited

[illegible]

Hasenbichler Asset Management GmbH

[illegible]

Haussmann Hldgs NV Curacao

[illegible]

The India Magnum Fund NV

[illegible]

Indian Opportunities Fund Ltd

[illegible]

Indosuez Asia Invest Services Ltd

[illegible]

Pacific Growth Fund

[illegible]

Pakistan Fund

[illegible]

Pequot International Fund Inc

[illegible]

Philippine Income Fund Inc

[illegible]

Portuguese Investment Fund Ltd

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. §§ Guernsey gross. ‖ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. ф Yield column shows annualised rates of NAV increase, xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland. Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

DM suffers further weakness

THE D-MARK fell against the dollar and was under pressure against several European currencies yesterday, in spite of signals which diverted attention away from rate cut hopes and, consequently, should have helped the currency, *writes Peter John.*

Initially, German data gave some lift to the D-Mark. M3 money supply growth came in at 7 per cent for September against 7.2 per cent the previous month but still above the market consensus of 6.9 per cent. As the Bundesbank has said it would not cut rates unless money supply was on target the slightly higher figure saw the currency pick up by more than half a pfennig on its close in New York.

Then, the weekly securities repurchase was carried out with the lower level only reaching 6.77 per cent. There had been hopes that the Bundesbank would accept bids as low as 6.65 per cent from the commercial banks and the higher figure was seen as dampening hopes of easier rates. The market ignored a higher than anticipated injection of liquidity.

However, this coincided with a large sale of D-Marks for dollars, believed to have come from a German corporation. That sell order set the tone of the day and ensured that the US currency rose above DM1.65, through its recent trading range.

There was a flurry of excitement that the dollar, further boosted by Tuesday's encouraging figures on housing, had achieved a 'chart break-out'. But, Mr Avinash Persaud an economist with J.P. Morgan, reflected the considered view when he said: "It was a rally largely built on sand."

By the end of the day the D-Mark had recovered to DM1.6450 to the dollar, still down on the previous European close of DM1.6370.

The early fall in the D-Mark gave some respite for the beleaguered French and Belgian francs yesterday although any doubts on a German rate cut are bound to spill over into the franc economies which desperately need easier monetary policy to stimulate growth.

The Belgian currency reached BFr21.784 to the D-Mark at best but worries over the social pact on wages and jobs were not dispelled by details released on Tuesday and the currency slipped back later to close at BFr21.86, down from BFr21.82. the French franc rallied to FFr3.5285 to the D-Mark but closed at FFr3.5350, down from 3.5320.

Sterling received a boost from stronger retail sales figures than the market had forecast. A rise of 0.5 per cent in the sales volume for September helped the pound against several currencies, although the three-quarter pfennig rise against the D-Mark to DM2.45 was largely a manifestation of a weaker German currency. The pound rallied from a low of $1.4850 to the dollar to $1.49, against $1.4920 previously. The sterling exchange rate index, which measures the pound against a basket of leading currencies rose from 79.7 to 79.9.

£ IN NEW YORK

Oct 20	Latest	Previous Close
£ Spot	1.4900-1.4910	1.4885 1.4895
1 month	0.34-0.33pm	0.37 0.36pm
3 months	0.90-0.89pm	0.91 0.89pm
12 months	2.73-2.68pm	2.81 2.74pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Oct 20	Previous
8.30	am	79.9	79.8
9.00	am	79.9	79.9
10.00	am	79.9	79.9
11.00	am	79.9	79.8
Noon		79.8	79.7
1.00	pm	79.9	79.8
2.00	pm	79.9	79.7
3.00	pm	80.0	79.7
4.00	pm	79.9	79.7

CURRENCY RATES

Oct 20	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.943319	0.775640
US Dollar	3.00	1.40413	1.15570
Canadian $	4.87	1.85077	1.52761
Austrian Sch	5.75	16.1854	13.3911
Belgian Franc	6.50	50.5276	41.5418
Danish Krone	7.75	9.34800	7.72241
D-Mark	6.25	2.29996	1.90344
Dutch Guilder	5.50	2.58922	2.14059
French Franc	-	8.13784	6.72273
Italian Lira	8.5	2245.04	1850.79
Japanese Yen	1.75	150.733	124.007
Norway Krone	-	10.0936	8.33398
Spanish Peseta	-	185.593	152.923
Swedish Krona	11.50	N/A	9.13653
Swiss Franc	4.50	2.02784	1.67866
Greek Drach	19	N/A	276.860
Irish Punt	-	N/A	0.813360

* Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct 19

CURRENCY MOVEMENTS

Oct 20	Bank of England Index	Morgan Guaranty Changes %
Sterling	79.9	-29.65
U.S. Dollar	65.8	-11.80
Canadian Dollar	91.2	-11.14
Austrian Schilling	115.4	+17.21
Belgian Franc	110.1	-3.06
Danish Krone	113.1	+7.66
D-Mark	120.4	+34.20
Swiss Franc	119.4	+24.52
Dutch Guilder	120.7	+23.17
French Franc	106.1	-9.17
Lira	78.6	-35.74
Yen	180.3	+121.70
Peseta	88.7	-32.37

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Oct 19

OTHER CURRENCIES

Oct 20	£	$
Argentina	1.4880 - 1.4885	0.9995 - 1.0000
Australia	2.2340 - 2.2355	1.5005 - 1.5015
Brazil	232.730 - 232.745	156.300 - 156.310
Finland	8.4845 - 8.5125	5.6980 - 5.7170
Greece	357.805 - 358.255	240.300 - 240.600
Hong Kong	11.5135 - 11.5150	7.7325 - 7.7335
Iran	2357.10 - 2360.05	1583.00 - 1585.00
Korea(Sth)	1204.75 - 1204.90	809.10 - 809.20
Kuwait	0.44455 - 0.44575	0.29855 - 0.29935
Luxembourg	53.50 - 53.60	35.90 - 36.00
Malaysia	3.7875 - 3.7890	2.5435 - 2.5445
Mexico	4.6325 - 4.6340	3.1110 - 3.1120
N.Zealand	2.6805 - 2.6830	1.8020 - 1.8030
Saudi Ar	5.5845 - 5.5850	3.7505 - 3.7515
Singapore	2.3500 - 2.3515	1.5780 - 1.5790
S.Af (Cm)	4.9910 - 4.9935	3.3520 - 3.3535
S.Af (Fn)	6.1345 - 6.1495	4.1200 - 4.1300
Taiwan	39.90 - 40.05	26.80 - 26.90
U.A.E.	5.4685 - 5.4690	3.6725 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 20	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.14059	-2.56	6.56	-
D-Mark	1.94964	1.90344	-2.37	6.36	-
Spanish Peseta	154.250	152.923	-0.86	4.74	6
Irish Punt	0.808628	0.813360	0.58	3.24	-4
Portuguese Escudo	192.854	197.105	2.20	1.60	-15
French Franc	6.53883	6.72273	2.81	1.00	-24
Belgian Franc	40.2123	41.5418	3.31	0.62	-24
Danish Krone	7.43679	7.72241	3.84	0.00	-28

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. ‡Indicative values only. Divergence Indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4845 - 1.4975	1.4895 - 1.4905	0.35-0.33cpm	2.74	0.90-0.87pm	2.38
Canada	1.9650 - 1.9835	1.9700 - 1.9710	0.23-0.16cpm	1.19	0.60-0.46pm	1.08
Netherlands	2.7455 - 2.7625	2.7525 - 2.7625	par-¼cdis	-0.54	⅜-⅝dis	-0.73
Belgium	53.25 - 53.70	53.50 - 53.60	15-19cdis	-3.81	39-48dis	-3.25
Denmark	9.9120 - 9.9690	9.9400 - 9.9500	2-3¼oredis	-3.17	7⅛-8⅞dis	-3.22
Ireland	1.0415 - 1.0490	1.0465 - 1.0475	0.05-0.07cdis	-0.69	0.20-0.25dis	-0.86
Germany	2.4430 - 2.4560	2.4475 - 2.4525	⅛-¼pfdis	-0.92	½-⅝dis	-0.92
Portugal	252.30 - 254.90	253.90 - 254.90	80-164cdis	-5.75	288-310dis	-4.70
Spain	196.10 - 197.65	196.70 - 197.00	N/A	N/A	N/A	N/A
Italy	2379.00 - 2390.60	2386.50 - 2387.50	5-7liredis	-3.02	17-19dis	-3.02
Norway	10.6970 - 10.7580	10.7300 - 10.7400	⅜-⅞oredis	-0.70	⅛-2⅛dis	-0.47
France	8.6280 - 8.6760	8.6550 - 8.6650	¼-1⅛cdis	-1.30	2⅜-2⅞dis	-1.21
Sweden	11.7300 - 11.8330	11.8100 - 11.8200	1⅛-2½oredis	-1.84	4½-5⅞dis	-1.76
Japan	158.95 - 160.85	159.50 - 160.50	½-⅜ypm	3.28	1⅜-1¼pm	3.28
Austria	17.16 - 17.29	17.26 - 17.29	⅞-1⅞grodis	-0.96	3⅞-5¼dis	-1.00
Switzerland	2.1525 - 2.1725	2.1625 - 2.1725	¼-⅛cpm	1.04	¾-½pm	1.15
Ecu	1.2845 - 1.2940	1.2930 - 1.2940	0.16-0.20cdis	-1.67	0.54-0.60dis	-1.75

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.58-1.53pm. 12 Month 2.75-2.65pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4845 - 1.4975	1.4895 - 1.4905	0.35-0.33cpm	2.74	0.90-0.87pm	2.38
Ireland†	1.4160 - 1.4330	1.4220 - 1.4230	0.44-0.42cpm	3.63	1.22-1.17pm	3.36
Canada	1.3200 - 1.3265	1.3220 - 1.3230	0.16-0.18cdis	-1.54	0.40-0.46dis	-1.30
Netherlands	1.8375 - 1.8565	1.8495 - 1.8505	0.52-0.54cdis	-3.44	1.42-1.45dis	-3.10
Belgium	35.70 - 36.00	35.90 - 36.00	18.00-20.00cdis	-6.34	50.00-54.00dis	-5.79
Denmark	6.6450 - 6.6985	6.6725 - 6.6775	3.50-4.00oredis	-6.74	9.30-11.60dis	-6.26
Germany	1.6335 - 1.6515	1.6445 - 1.6455	0.51-0.52pfdis	-3.76	1.39-1.41dis	-3.4
Portugal	170.25 - 170.85	170.25 - 170.35	118-122cdis	-8.46	334-348dis	-8.01
Spain	131.65 - 132.45	132.10 - 132.30	74-78cdis	-6.90	214-222dis	-6.60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	4⅞ - 4⅝	4⅞ - 4⅝	4⅝ - 4½	4⅝ - 4⅞	4⅜ - 4¼	4⅛ - 4
D-Mark	6⅞ - 6⅞	6¾ - 6⅝	6¾ - 6⅝	6⅝ - 6½	6⅝ - 6⅜	5⅞ - 5¾
French Franc	7⅞ - 6⅞	7⅞ - 6⅞	7 - 6⅞	6⅞ - 6⅞	6⅝ - 6½	6⅜ - 6⅛
Italian Lira	10 - 8	9⅛ - 8⅝	9 - 8½	8⅞ - 8⅞	8⅝ - 8¼	8½ - 8⅛
Belgian Franc	9⅝ - 9½	9⅞ - 9⅞	9⅝ - 9¼	9⅛ - 9	8⅝ - 8⅞	7⅞ - 7⅞
Yen	2½ - 2⅛	2⅞ - 2⅞	2⅞ - 2⅞	2½ - 2⅞	2⅞ - 2⅜	2⅞ - 2⅜
Danish Krone	9½ - 8½	9⅛ - 8⅞	9⅛ - 8⅞	9 - 8⅝	8½ - 8	7⅞ - 7¼
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¾
Spanish Peseta	9⅞ - 9⅞	9⅞ - 9⅝	10 - 9⅞	9⅞ - 9⅞	9⅝ - 9⅜	9⅞ - 8⅞
Portuguese Esc.	12¼ - 11¾	12 - 11½	11¾ - 11¼	11½ - 11	11¼ - 10¾	10¾ - 10¼

Long term Eurodollars: two years 4⅛-3⅞ per cent; three years 4⅜-4¼ per cent; four years 4⅞-4⅝ per cent; five years 4⅞-4⅞ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.20	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.490	2.450	160.0	8.660	2.168	2.758	2387.	1.971	53.55	196.9	1.294
$	0.671	1	1.644	107.4	5.812	1.455	1.851	1602	1.323	35.94	132.1	0.868
DM	0.408	0.608	1	65.31	3.535	0.885	1.126	974.3	0.804	21.86	80.37	0.528
YEN	6.250	9.313	15.31	1000.	54.13	13.55	17.24	14919	12.32	334.7	1231	8.088
F Fr.	1.155	1.721	2.829	184.8	10.	2.503	3.185	2756	2.276	61.84	227.4	1.494
S Fr.	0.461	0.687	1.130	73.80	3.994	1	1.272	1101	0.909	24.70	90.82	0.597
N Fl.	0.363	0.540	0.888	58.01	3.140	0.786	1	865.5	0.715	19.42	71.39	0.469
Lira	0.419	0.624	1.026	67.03	3.628	0.908	1.155	1000.	0.826	22.43	82.49	0.542
C$	0.507	0.756	1.243	81.18	4.394	1.100	1.399	1211	1	27.17	99.90	0.657
B Fr.	1.867	2.782	4.575	298.8	16.17	4.049	5.150	4458	3.681	100.	367.7	2.416
Pta	0.508	0.757	1.244	81.26	4.398	1.101	1.401	1212	1.001	27.20	100.	0.657
Ecu	0.773	1.151	1.893	123.6	6.692	1.675	2.131	1846	1.523	41.38	152.2	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE EURO SWISS FRANC OPTIONS; LIFFE EURO FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS; LONDON (LIFFE); CHICAGO; PARIS

[illegible]	[illegible]

* Contracts traded on APT. Closing prices shown.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls November	Calls December	Calls March	Puts November	Puts December	Puts March
122	-	2.75	-	-	0.05	-
123	-	1.81	-	-	0.12	-
124	0.74	0.99	-	0.06	0.31	-
125	0.13	0.46	-	0.43	0.77	0.24
126	0.01	0.15	3.42	-	-	0.36
Open Int	-	-	-	-	-	-

Estimated volume 63,642 † Total Open Interest -
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4900	1.4865	1.4811	1.4744	1.4630

BASE LENDING RATES

	%		%		%
Adam & Company	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
Allied Trust Bank	6	Exeter Bank Limited	7	Rea Brothers	6
AIB Bank	6	Financial & Gen Bank	7	* Roxburghe Bank Ltd	6
●Henry Ansbacher	6	●Robert Fleming & Co	6	* (in administration)	
Bank of Baroda	6	Girobank	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of Ireland	6	●Hambros Bank	6	TSB	6
Bank of India	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Bank of Scotland	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Barclays Bank	6	C. Hoare & Co	6	Western Trust	6
Brit Bk of Mid East	6	Hongkong & Shanghai.	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
CL Bank Nederland	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	Midland Bank	6		
The Co-operative Bank	6	* Mount Banking	6		
Coutts & Co	6	* (in administration)			
Credit Lyonnais	6	NatWestminster	6		
Cyprus Popular Bank	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Short sterling stronger

SHORT sterling yesterday shrugged off any implications, from a bigger than expected rise in retail sales, that base rates might not have to fall, *writes Peter John.*

The futures contract for December delivery concentrated on the view that an improvement in economic growth would make a tax hike at the budget more likely. Economists expect any increase in taxes to be cushioned by easier rates.

December futures hit a high of 94.66 yesterday and closed two basis points firmer on the day at 94.62. The closer the price gets to 100 the more it discounts lower three-month lending and base rates.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

Gains in the UK were at odds with the performance of the principal short-term interest rate futures contracts for continental Europe. The D-Mark contract for December slipped 0.7 point to 93.74 as German securities repurchase operations saw bids from the banks accepted at 6.77 per cent at the lowest level rather than 6.75 per cent as hoped.

Also, the latest German money supply data came in slightly higher than expected and dampened hopes of an imminent cut in key German interest rates.

A German cut is seen as the spark which will set off a general trend of much-needed interest rate reductions, particularly in France. The French three-month contract was also weaker yesterday closing 0.7 lower at 93.47.

Operations in the UK money markets returned to a more comfortable level yesterday as a forecast liquidity shortage of £1.75bn was more or less dealt with at the earliest opportunity.

Among the main factors affecting the shortage, which was later revised down to £1.7bn, were the take-up of Treasury Bills and paper maturing in official hands which drained £1.171bn from the system, bills for repurchase by the market, which took out £231m, and Exchequer transactions, which drained £95m. A rise in note circulation took up another £125m while bankers balances below target removed £105m.

The Bank provided £1.553bn of bills at $5\frac{29}{32}$ per cent for resale to the market on November 9 and 10. It provided a further £75m of assistance at midday, via band one bank bills at the established 5⅞ per cent rate.

Finally, the Bank provided £106m in the afternoon, via bills at 5⅞ per cent, bringing total help to £1.714bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 20)	3 months US dollars		6 months US Dollars	
	bid 3¼	offer 3⅜	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.09	Three year	4.06
Broker loan rate	5	Two month	3.01	Five year	4.64
Fed.funds	2⅞	Three month	3.12	Seven year	4.81
Fed.funds at intervention	-	Six month	3.23	10-year	5.24
		One year	3.38	30-year	5.82
		Two year	3.84		

Oct 20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.65-6.75	6.65-6.75	6.55-6.65	6.50-6.65	6.20-6.35	7.25
Paris	6⅞-7⅛	6.90-7.05	-	6.82-6.97	-	6.75
Zurich	4½-4¾	4⅞-4⅞	-	4⅞-4⅞	-	-
Amsterdam	6.38-6.43	6.42-6.47	-	6.33-6.38	-	-
Tokyo	2⅞-2½	-	-	-	-	-
Milan	8-9⅜	8⅞-9	-	8⅞-8⅞	-	-
Brussels	9⅞-9⅞	9¼-9⅜	-	8⅞-9⅛	-	-
Dublin	6⅞-6⅞	6⅞-7⅛	6⅞-7	6⅞-7	6⅝-6¾	-

LONDON MONEY RATES

Oct 20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	5¾	5¾	5⅞	5¾	5⅝	5⅞
Interbank Bid	4½	5½	5⅞	5⅝	5⅞	5¼
Sterling CDs.	-	-	5¾	5⅞	5⅞	5⅝
Local Authority Deps.	5¾	5¾	5¾	5⅝	5⅝	5⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5⅝	5½	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5⅞	5¾	5½	5½
Treasury Bills (Buy)	-	-	5⅝	5½	5⅝	-
Bank Bills (Buy)	-	-	5⅞	5⅞	5⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	2.98	3.06	3.11	3.29
SDR Linked Dep. Offer	-	-	4¼	4¼	4¼	4⅛
SDR Linked Dep. Bid	-	-	4⅛	4⅛	4⅛	4
ECU Linked Dep. Offer	-	-	7⅞	7½	7¼	6⅞
ECU Linked Dep. Bid	-	-	7⅞	7⅜	7⅛	6⅞

Treasury Bills (sell): one-month 5⅞ per cent; three months 5⅞ per cent; six months 5⅞ per cent; Bank Bills (sell): one-month 5⅞ per cent; three months 5½ per cent; Treasury Bills; Average tender rate of discount 5.3271 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1993. Agreed rates for period Oct 26, 1993 to Nov 23, 1993 Schemes II & III: 7.22 p.c. Reference rate for period Sept 1, 1993 to Sept 30, 1993, Scheme IV&V: 5.954 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from October 1, 1993: Bank Deposit Rate for sums at 7 days notice 5⅞ p.c. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 2¾ p.c.; one-three months 5¼ p.c.; three-six months [illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]	[illegible]

Money Market Bank Accounts

[illegible]	[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

مكتبة الأسد

WORLD STOCK MARKETS

AUSTRIA

October 20	Sch	+ or –
Austrian Airlines	1,780	–15
Bank Austria	1,000	+10
Creditanstalt Pf	815	–8
EA General	4,000	–20
EVN	1,310	–16
Lenzing	842	+9
OeMV	838	
Perlmooser Zement	800	—
Radex Heraklith	425	–3
Steyr Daimler	176	—
Veitscher Magnesit	332	+3
Verbund (Br) A	711	–9
Vienna Int Airport	521	–10
Wienerberger	3,915	–5

BELGIUM/LUXEMBOURG

October 20	Frs.	+ or –
AG Group	2,560	+20
Ackermans	3,470	+40
Almanij	7,830	+10
Arbed	3,720	–130
BBL	4,200	–20
Bank Intl a Lux	16,100	—
Banq Gen Lux Pts	23,800	–100
Banque Nat Belg	35,975	—
Bekaert	19,825	–300
CBR Ciment	11,425	—
CMB	2,285	+30
Cobepa	5,180	+30
Cockerill Prfe	140	–1

FRANCE (continued)

October 20	Frs.	+ or –
BIC	1,197	–2
BSN	865	+9
BNP	278.90	+1.80
Bancaire Cie	519	+29
Bongrain	2,980	+30
Bouygues	669	–19
CGIP	1,280	+9
Canal+	1,241	–40
Cap Gemini S	165.10	–13.40
CarnaudMetalbox	202	–.20
Carrefour	3,512	–8
Casino	171.50	+.10
Chargeurs	1,145	–52
Club Mediterranee	358	–28
Coparex Int	570	—
G C F	268	–3.90
Cr Fonc France	1,184	–4
Cred Lyon (CI)	695	–28
Credit Local Fr	430.50	+5.50
Credit National	661	–14
Damart	5,130	–30
Docks de France	642	–4
Dollfus Mieg Cie	298	–1.90
EBF	682	–10
Eaux Cie Genl	2,688	+15
Ecco	533	–16
Elf Aquitaine	445.50	+7.40
Elf Aquitaine Certs	389	+4
Elf Sanofi	997	—
Eridania B-Say	850	–2
Eridania B-Say Cl	889	+4
Essilor Int	600	–1

CANADA

INDICES

NEW YORK

DOW JONES	Oct 19	Oct 18	Oct 15	Oct 14	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3635.32	3642.31	3629.73	3621.63	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	109.59	109.77	109.71	109.37	109.77 (18/10)	103.49 (11/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1664.89	1655.91	1640.85	1636.04	1683.06 (16/4)	1453.84 (4/1)	1683.06 (16/4/93)	12.32 (8/7/32)
Utilities	243.28	243.87	246.05	243.54	256.48 (31/8)	217.14 (8/1)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3669.97 (3675.84) Low 3601.78 (3595.92) (Theoretical▲)
Day's High 3652.93 (3646.22) Low 3624.15 (3619.67) (Actual▲)

STANDARD AND POOR'S

	Oct 19	Oct 18	Oct 15	Oct 14	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	466.21	468.45	469.50	466.83	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials♥	531.41	534.48	533.47	528.99	534.61 (18/10)	496.48 (26/4)	534.61 (18/10/93)	3.62 (21/6/32)
Financial	45.94	46.35	47.48	48.01	48.40 (26/8)	39.89 (8/1)	48.40 (26/8/93)	8.64 (1/10/74)
NYSE Composite	259.55	260.00	260.48	258.12	260.48 (15/10)	236.21 (8/1)	260.48 (15/10/93)	4.46 (25/4/42)
Amex Mkt. Value	476.10	481.10	483.23	481.65	483.23 (15/10)	395.84 (8/1)	483.23 (15/10/93)	29.31 (9/12/72)
NASDAQ Composite	769.71	782.91	787.42	785.41	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

	Oct 15	Oct 8	Oct 1	year ago (approx.)
Dow Industrial Div. Yield	2.81	2.84	2.85	3.27
	Oct 13	**Oct 6**	**Sep 29**	**year ago (approx.)**
S & P Industrial div. yield	2.47	2.48	2.49	2.76
S & P Indl. P/E ratio	28.00	27.86	27.78	26.77

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Citicorp	5,325,100	35¾	+ ⅛
Philip Morris	4,290,300	52⅝	- 1¼
Telefonos	3,594,200	54	- 1
Merck	3,434,400	32⅛	- ⅛
Chemical Bank	3,373,500	40⅞	- ¾
First Union	2,804,800	40½	- ¾
Chase Manhattan	2,575,800	33¾	- ⅝
Unisys Corp	2,152,800	11¾	- ⅜
Humana	2,130,700	14	+ ⅜
Wal-Mart	2,128,100	26⅝	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 19	Oct 18	Oct 15
New York SE	291.368	321.922	358.806
Amex	22.241	24.058	42.469
NASDAQ	(u)	343.721	368.802
NYSE			
Issues Traded	2,654	2,669	2,617
Rises	779	1,081	1,202
Falls	1,226	1,066	802
Unchanged	647	572	613
New Highs	109	158	187
New Lows	26	11	14

CANADA

TORONTO	Oct 19	Oct 18	Oct 15	Oct 14	1993 HIGH	1993 LOW
Metals & Minerals	3040.32	3022.16	3095.18	2967.95	3140.94 (16/8)	2743.31 (21/1)
Composite	4174.70	4169.70	4182.80	4145.09	4188.70 (18/10)	3275.89 (21/1)
MONTREAL Portfolio	1989.95	1993.49	1983.18	1981.96	1993.49 (18/10)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ▲ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	Oct 20	Oct 19	Oct 18	Oct 15	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	2051.7	2075.5	2085.5	2074.1	2085.50 (18/10)	1495.00 (13/1)
All Mining (1/1/80)	882.9	873.9	868.4	863.7	904.50 (2/8)	594.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	415.57	418.52	415.76	405.83	418.52 (19/10)	309.28 (14/1)
Traded Index (2/1/91)	1072.80	1078.23	1077.56	1043.83	1078.23 (19/10)	712.88 (15/1)
BELGIUM						
BEL20 (1/1/91)	1373.15	1375.85	1381.05	1370.88	1381.05 (18/10)	1125.48 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	340.96	337.97	337.55	335.78	340.96 (20/10)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1592.0	1509.1	1512.2	1500.5	1512.20 (18/10)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	591.58	591.55	590.98	586.06	600.51 (31/8)	471.24 (13/1)
CAC 40 (31/12/87)	2149.88	2147.32	2144.99	2138.26	2216.49 (31/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	782.10	777.73	782.09	774.08	782.10 (20/10)	598.82 (14/1)
Commerzbank (1/12/53)	2238.0	2228.0	2240.8	2213.7	2240.80 (18/10)	1694.30 (14/1)
DAX (30/12/87)	2042.56	2026.78	2033.32	2018.03	2042.56 (20/10)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	8992.80	8861.41	9031.13	8763.98	9031.13 (18/10)	5437.89 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1782.21	1771.69†	1753.98	1736.84	1782.21 (20/10)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	588.25	598.94	599.88	577.59	632.88 (30/8)	449.33 (8/1)
MIB General (4/1/93)	1283.0	1294.8	1297.0	1270.0	1390.80 (30/8)	892.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20173.42	20069.91	20072.21	20174.42	21148.11 (13/9)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1647.86	1644.46	1648.69	1654.01	1698.67 (3/9)	1250.06 (25/1)
2nd Section (4/1/68)	2183.85	2208.12	2226.85	2229.03	2384.97 (7/6)	1651.72 (29/1)
MALAYSIA						
KLSE Composite (4/4/86)	922.95	926.16	914.53	927.46	927.46 (15/10)	614.28 (13/1)
NETHERLANDS						
CBS TtlRtn.Gen.(End 1983)	401.2	399.4	398.8	394.6	401.20 (20/10)	285.78 (4/1)
CBS All Shr (End 1983)	260.3	259.1	258.7	256.0	260.30 (20/10)	198.90 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	1015.03	1009.90	1002.58	983.98	1015.03 (20/10)	689.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	2205.78	2158.99	2187.95	2175.25	2205.78 (20/10)	1270.88 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	552.19	552.91	555.87	553.18	555.87 (18/10)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1771.0♥	1759.0	1707.0	1700.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4511.0♥	4519.0	4514.0	4529.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	738.83	741.24	747.19	734.37	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	303.31	300.38	300.61	298.73	304.88 (30/8)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1385.5	1387.0	1387.8	1361.9	1397.80 (18/10)	878.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1138.92	1133.15	1133.66	1117.76	1138.92 (20/10)	904.80 (11/1)
SBC General (1/4/87)	902.85	898.40	900.34	888.79	902.85 (20/10)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	3958.32	3970.18	4061.47	4025.27	5013.28 (7/4)	3088.43 (6/1)
THAILAND						
Bangkok SET (30/4/75)	1157.88	1160.65	1150.80	1154.95	1160.95 (19/10)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	604.0*	603.5	606.0	607.1	607.10 (15/10)	499.60 (13/1)
Euro Top-100 (26/6/90)	1156.74	1152.32	1155.61	1145.07	1156.74 (20/10)	882.73 (13/1)

**Saturday October 16: Taiwan Weighted Price; 4031.16, Korea Comp Ex; 734.57.
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks
Wednesday, October 20, 1993

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	5.4m	332	+1
Mitsubishi Hvy	2.3m	679	+4
Fujitsu	2.1m	861	-2
Hitachi	2.0m	849	+8
Mitsubishi Kaisk	2.0m	1,280	+20
Nippon Paper	2.0m	645	-5
Toshiba Corp	1.9m	677	+10
Nichiro Corp	1.8m	424	+6
Matsushita E Ind	1.7m	1,510	+10
Nippon Express	1.7m	1,100	-20

4 pm close October 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14 5/8	11 1/2	AAR Corp	0.48	3.7	658	337	13 3/4	13 1/8	13 1/8	-1/2
29 3/8	13 3/4	A L Labs A	0.18	1.2	30	2748	15 5/8	15	15 3/4	+3/8
67 1/4	54 5/8	AMP Inc	1.60	2.6	21	4020	63	61	61 1/2	-2 1/2
72 3/4	55 1/2	AMR			17	8023	68 3/4	66 1/8	68	+1
3 7/8	1 3/4	ARX			13	385	3 5/8	3 1/2	3 5/8	+1/8
51 1/2	29 7/8	ASA	2.00	4.2	31	1081	47 1/4	46 1/2	47 1/8	+1
30 3/4	22 5/8	Abbott Lab	0.68	2.4	17	6060	28	27 5/8	28	+1/4
12 5/8	8 1/4	Abitibi Pr	0.50	5.9	3	5	8 5/8	8 1/2	8 1/2	
15 5/8	8 1/4	Acptncein			46	109	14 7/8	14 3/4	14 3/4	
36	25 1/2	ACE Ltd	0.82	2.7		603	34 3/4	34 1/4	34 3/8	-1/8
12	10 3/4	ACM Gvt In	0.96	8.3		374	11 1/2	11 3/8	11 1/2	
10	9 1/8	ACM GvOpp	0.80	8.0		23	u10	9 7/8	10	+1/8
9 7/8	8 3/4	ACM Gvt Sp	0.80	8.1		1588	u10	9 3/4	9 7/8	+1/8
11 5/8	10 1/2	ACM Gvt Se	0.96	8.3		167	u11 5/8	11 1/2	11 5/8	+1/8
11 3/4	9 5/8	ACM Man	1.08	9.3		152	u11 3/4	11 5/8	11 5/8	-1/8
9 3/8	8 5/8	ACM Managd	0.72	7.9		44	9 1/4	9 1/8	9 1/8	
12 3/8	7 3/4	Acme Cleve	0.44	4.2	13	41	10 3/8	10 1/4	10 3/8	-1/8
10	6 3/8	Acme Elect			66	378	9 5/8	8 7/8	9 3/8	-1/8
27 5/8	18 3/8	Acordia	0.44	1.8	14	473	24 3/4	24 3/8	24 3/8	-5/8
16	10 3/8	Acuson			35	1143	13 1/8	12 3/4	12 3/4	
21 3/4	18 1/4	Adams Expr	0.48	2.5	0	328	19 1/4	19 1/8	19 1/4	
68 1/4	45 1/2	Ad Micro	3.00	6.2		261	49 1/8	48 1/4	48 1/4	-7/8
32 3/4	17 5/8	Ad Micro P	3.00	15.9	7	8419	19 3/4	18 3/4	18 7/8	-5/8
7 7/8	5 1/2	Advest Grp	0.16	2.1	13	97	7 5/8	7 1/2	7 5/8	
24 3/4	14 1/4	Aimo Inc	0.08	0.6	15	1676	15 1/2	14 1/2	14 1/2	-1 1/8
51 1/2	41 1/8	Aegon ADR	1.23	2.4	10	137	u51 5/8	51 1/8	51 1/2	+3/8
64 3/8	43 3/8	Aetna Lf	2.76	4.4	44	1611	64	63 1/4	63 3/8	-1/2
34	28 1/8	Aflac	0.40	1.2	15	1724	32 1/8	31 3/8	32	+1 1/8
22 1/8	16 3/4	Ahmanson	0.88	4.9	7	4382	18 1/2	17 5/8	17 7/8	-1/2
7 3/4	3 5/8	Aileen Inc			5	62	3 3/4	3 3/4	3 3/4	+1/8
48 1/2	24 7/8	Air Pr Chm	0.92	2.3	15	2810	40 3/4	39 7/8	40 1/4	-1/8
28 1/2	18 1/8	Airbne Frt	0.30	1.2	34	858	26	25 1/2	26	+3/8
43 3/8	18 1/4	Airgas Inc			46	87	42 1/8	41 5/8	41 5/8	-5/8
15 3/8	10 1/2	Airlease	1.72	11.6	11	18	15 1/8	15	15	-1/8
106 1/2	101	AlaPw8.16	8.16	7.7		z100	u106 1/2	106 1/2	106 1/2	
107	102 1/2	Alab 8.28C	7.28	7.1		z20	102 7/8	102 7/8	102 7/8	

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32 3/4	20	Baxter	1.00	4.5	12	8916	22 1/2	21 7/8	22 3/8	
32	24 3/8	Bay St Gas	1.42	4.6	16	174	31 3/8	31 1/8	31 1/8	-3/4
25	22	Bd Tr 1838	1.72	7.3		7	23 1/2	23 3/8	23 1/2	
26	15	Bear Strns	0.60	2.7	6	6044	22 7/8	22 1/8	22 3/8	+1/8
50 1/4	45 1/2	BearStPfA	2.75	5.5		2	49 3/4	49 3/4	49 3/4	
27	20 1/2	Bearings	0.64	2.4	21	17	26 1/2	26 1/4	26 1/4	-3/8
27 1/4	19 3/4	Beckman In	0.36	1.3	16	804	u27 7/8	27 1/8	27 1/4	
40 3/4	32 5/8	Becton Dks	0.68	1.7	13	814	38 3/4	38	38 1/4	-1/2

Continued on next page

NYSE COMPOSITE PRICES

4 pm close October 20

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close October 20

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	19	45	12⅜	12¼	12¼	-¼
ACC Corp	0.12	43	770	20¼	19½	20¼	+¼
Acclaim E		45	10634	29½	28½	28½	-¾
Acme Mets		119	166	15½	14¾	15½	
Acxiom Cp		35	216	22	21¼	21¾	+½
Adaptech		15	3604	31⅜	30¼	30⅞	-⅝
ADC Tele		34	2897	39¾	37¼	38	-1¾
Addington		67	358	16½	16¼	16¼	
Adia Serv	0.16	18	19	21½	20½	20¾	-1
Adobe Sys	0.20	20	8424	22½	21¼	21¾	+¼
Advance C		9	294	11½	11⅛	11¼	-⅛
Adv Logic		4	240	3⅛	3	3⅛	+⅛
Adv Polym		10	481	6⅛	5½	5¾	-⅛
AdvTchLab		29	242	16¼	16	16¾	+¾
Advanta	0.25	23	2089	41½	40	41	+¼
Affymax		14	255	16	15	16	
Agency Re		18	377	10¾	10½	10⅝	+⅛
AgnicoEa	0.10	79	5786	u14½	14	14⅜	+¼
Akzo ADR	2.80	17	337	49⅜	48⅞	49⅜	-⅜
Aldus Cp		93	4092	u25¼	23¾	24¼	+¼
Alex Bald	0.88	14	8252	24	23½	23½	
Allegh &W		17	2	8¼	8¼	8¼	
Allen Org	0.48	14	2	30	30	30	-½
Allian Ph		6	633	9¾	9	9½	+½
AlldCapll	1.00	13	361	16	d15¼	15¼	
Alld Cap	0.80	10	222	12½	11¾	11¾	-⅝

[illegible]

AMEX COMPOSITE PRICES

4 pm close October 20

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AMERICA

Compaq and Digital send mixed messages

Wall Street

US share prices traded in a narrow range either side of opening values yesterday morning as the equity markets continued to digest the latest third quarter corporate earnings news, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 2.52 at 3,637.84. The more broadly based Standard & Poor's 500 was 0.93 lower at 465.28, while the Amex composite was up 0.45 at 476.55, and the Nasdaq composite up 0.09 at 768.80. Trading volume on the NYSE was 175m shares by 1 pm.

After several weeks of steady gains, and two days of heavy profit-taking, the markets appear to be at a crossroads. Yet, in the absence of fresh economic news, equity investors struggled to find a new direction yesterday. The bond market was in solid form – the yield on the benchmark 30-year bond has dropped to 5.821 per cent – but it failed to provide stocks with much support.

Consequently, trading was uninspired and prices hovered around opening values throughout the morning. Overnight strength in foreign markets was largely ignored, and investors' attention was primarily fixed upon the latest batch of quarterly results.

Among those reporting yesterday were two big technology companies, Digital Equipment and Compaq. The former announced a wider than expected quarterly loss, driving its shares down $1 to $35⅛. Compaq, however, outdid analysts' forecasts with its own profits announcement, and its shares climbed $1⅞ to $64.

AMR, parent of American Airlines, rose $⅝ to $67⅝ after the group reported net income of $1.33 a share, a strong recovery from the $1.32 a share loss incurred at the same stage a year ago. USAir, however, eased $¼ to $13⅞ as investors were left unimpressed by its third quarter loss of $178m.

Bank stocks, hard hit by profit-taking and concerns about lower lending rates cutting into profit margins, rebounded handsomely. Citicorp rose $1⅛ to $36⅞, JP Morgan added $1¼ at $73¼, Wells Fargo firmed $1½ to $120¼ and Chemical put on $⅝ at $41½. BankAmerica eased $⅛ to $42½ after reporting flat third quarter earnings.

Tobacco stocks were flat to weaker, undermined by reports that President Bill Clinton has decided upon a 75 cents-a-pack increase in the cigarette tax. Philip Morris eased $1 to $51⅞, American Brands gave up $⅝ at $33⅞ and RJR Nabsico was unchanged at $5.

On the Nasdaq market, Microsoft rose initially, then fell back to stand $⅝ lower at $79⅞ as investors nervously awaited the its third quarter results, which were due out after the close.

Canada

TORONTO edged ahead in midday trading as strong gold issues continued to prop up declines in most other indices.

The TSE-300 composite index was up 4.62 to 4,179.30 in trade of 41.2m shares valued at C$473m. Declining issues slipped past advances 309 to 298, with 302 issues holding steady.

SOUTH AFRICA

GOLD stocks were in focus as the price of bullion climbed above $370 an ounce. The golds index rose 21, or 1.2 per cent, to 1,771, while industrials shed 8 to 4,511. The overall index lost 6 to 3,910. De Beers eased 50 cents to R85.

EUROPE

Frankfurt, Zurich back at record highs

A mixture of performances were seen yesterday, *writes Our Markets Staff.*

FRANKFURT turned forward once again to set a new record close following the release of satisfactory M3 data and a slight easing in the repo rate. Nevertheless, the market is not anticipating a cut in the discount rate at the regular meeting of the Buba council today, believing that the bank will wait for the release of inflation data before committing itself, perhaps on November 4.

The DAX index added 15.80 to 2,042.56. Turnover was DM9.8bn.

Daimler was DM3 stronger at DM743 by the close, with news that Deutsche Aerospace planned to make substantial job cuts by 1996 coming in the after market.

ZURICH returned to record breaking territory after Tuesday's brief consolidation and the SMI index added 7.7 to 2,668.4 in active trading.

Nestlé, benefiting from the strength of the dollar, continued its advance, adding SFr9 to SFr1,183 in active trading.

PARIS was beset by technical problems during the session and the CAC-40 index closed just 2.36 ahead at 2,149.68.

News that Cap-Gemini, Chargeurs and Club Med were to be dropped from the index from November 17 depressed their prices: falling respectively by FFr13.40, FFr52 and FFr26 to FFr185.10, FFr1,145 and FFr358.

The replacements, BNP, CLF and Promodes, gained FFr1.80, FFr15.50 and FFr60 to FFr278.90, FFr439.50 and FFr1,010.

MILAN remained preoccupied with Fiat although renewed interest emerged in the broader market and the Comit index edged 0.69 lower to 588.25.

Arbitrage trade between the shares and rights left Fiat L12 lower at L3,850.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

October 20 Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1349.12	1350.46	1350.50	1351.04	1350.88	1349.09	1349.69	1348.34
FT-SE Eurotrack 200	1419.39	1420.25	1421.51	1421.30	1423.15	1421.26	1421.57	1422.07

	Oct 19	Oct 18	Oct 15	Oct 14	Oct 13
FT-SE Eurotrack 100	1346.27	1347.38	1330.52	1315.57	1317.05
FT-SE Eurotrack 200	1414.64	1418.14	1407.10	1391.70	1391.36

Base value 1000 (26/10/90) High/day: 100 - 1352.17, 200 - 1424.18 Low/day: 100 - 1348.15 200 - 1417.47

BCI rose L27 to L4,522 and Credito Italiano eased L14 to L2,301 as analysts awaited clarification of comments by the prime minister that a 3 per cent shareholder limit after the banks were privatised did not exclude the forming of "hard core" shareholder blocks. He added that investors wanting to take such positions would have to pay a premium for their stakes.

Speculative buying took Montedison L15.70 higher to L854.60 in heavy volume of 10.9m shares.

AMSTERDAM enjoyed another record breaking day with the CBS Tendency index finishing up 1.4 or 1 per cent at 133.9.

KLM strengthened on US buying with the shares adding Fl 1.70 to Fl 42.50. The publishing sector was also firmer, with Elsevier up Fl 2.70 to Fl 149.20, helped by news that the UK had cleared its purchase of the Official Airlines guide. VNU rising Fl 3.20 to Fl 145.80 and Wolters Kluwer up Fl 2.00 to Fl 106.50.

Akzo was one of the day's losers, down Fl 2.80 at Fl 181.60.

STOCKHOLM was pulled lower by Ericsson and Volvo. The Affärsvärlden general index closed down 11.5 at 1,385.5.

Ericsson shed SKr17 to SKr440 while Volvo slipped SKr16 to SKr413 following its announcement of details of its buy-out for BCP. Procordia lost SKr6 to SKr230.

MADRID finished near its highs for the day, lifted by an easing of one-year treasury bond yields, and the general index rose 2.93 to 303.1. Endesa added Pta180 to Pta6,000 in response to the company's forecast on Tuesday that group profit would rise by 5-10 per cent in 1993.

COPENHAGEN climbed to a new year's high with Novo Nordisk up DKr4 to DKr630 and the KFX index rising 1.16 to 101.95.

Written and edited by John Pitt and Michael Morgan.

Argentina anticipates further strong growth

By John Barham

EVERYTHING seems to be going right for Argentina. The economy is booming, inflation is at a record low and the political scene is stable, after the ruling Peronist party swept to its fourth consecutive electoral victory in congressional elections on October 3.

The gods are even smiling on President Carlos Menem, whose very name superstitious Argentines once considered unlucky. He emerged unscathed from a helicopter crash earlier this month and is now recovering rapidly from emergency surgery last week.

The stock market is storming ahead in a bull run that has driven prices up by a quarter this year. Although this compares poorly with developed country markets, much of the advance came during the last two months, with the Merval market index rising 13 per cent since mid-August.

Prices dipped suddenly last Thursday on the news that Mr Menem was undergoing surgery. The news broke just before the Buenos Aires market closed, but was enough to depress prices in New York.

However, the market bounced back when it became clear that he was out of danger. But New York's reaction showed that investor confidence in Argentina still depends on two men: Mr Menem and Mr Domingo Cavallo, his economy minister.

Foreign investors' views are more important than ever. It is international liquidity that is driving the market forward, not local factors. If capital inflows were to dry up, the market would go into reverse.

Corporate results are mediocre given that the economy is growing by 6 per cent, after expanding by 9 per cent in 1992. Ambito Financiero, a local business newspaper, commented this week that profits at the biggest listed companies rose only 7.5 per cent in the second quarter.

Luckily, overseas investors – mostly US and London-based emerging market fund managers – are looking further ahead. Many expect strong growth to continue in Argentina for some time.

Mr Steve Darch, managing director at Banco Mariva, a Buenos Aires merchant bank, said investors "are buying where there is growth potential and the potential is absolutely phenomenal. Look at a difficult industry like steel, which had to go through a restructuring process: if you think the economy will continue growing, even a non-sexy industry like steel will grow too".

Sectors attracting greatest investor interest are energy, telecommunications, food, construction and banking.

YPF, Argentina's biggest company, offers exposure both to the oil industry and Argentina. Those who bought when it was floated in June have been handsomely rewarded with a 47 per cent rise to $28 yesterday.

Investors are also encouraged by a decision at many companies to start paying cash dividends.

This marks an important cultural change. The market expects companies to provide consistent earnings as well as opportunities for speculative capital gains. Capital-hungry companies are finding they can no longer ignore minority shareholders.

But perhaps the most important event of the past month was congressional approval of a private pension fund system. Pension funds are unlikely to have an immediate impact. But with time they should broaden Argentina's narrow and volatile market and reduce its dangerous reliance on foreign capital.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Oct 15 1993	% Change over week	% Change on Dec '92	Local currency terms Oct 15 1993	% Change over week	% Change on Dec '92
Latin America							
Argentina	(11)	813.95	+5.1	+40.3	499,458.35	+5.1	+40.6
Brazil	(44)	244.46	+3.6	+95.6	49,718,757.93	+3.6	+2,284.1
Chile	(20)	463.23	+0.8	+10.7	766.06	+0.8	+19.5
Colombia[1]	(8)	522.38	+3.3	+22.9	750.75	+3.2	+22.8
Mexico	(58)	750.90	+5.6	+11.1	1,007.77	+5.5	+11.0
Peru[2]	(7)	117.28	+5.2	+17.3	152.43	+4.6	+52.4
Venezuela[3]	(8)	625.39	+14.0	+20.4	1,403.32	+12.8	+50.3
East Asia							
South Korea[4]	(130)	99.41	+2.7	+1.3	105.89	+2.6	+4.1
Philippines	(11)	211.97	+9.0	+58.7	297.48	+13.5	+84.0
Taiwan, China[5]	(76)	83.54	+5.8	+13.2	83.77	+4.7	+19.5
South Asia							
India[6]	(61)	92.18	+1.9	-1.6	101.94	+1.9	[illegible]
Indonesia[7]	(31)	95.88	+3.6	+63.4	109.53	+3.6	+66.5
Malaysia	(61)	264.64	+2.4	+61.8	248.36	+2.6	+57.4
Pakistan[8]	(8)	236.29	+0.9	+18.0	320.85	+1.3	+38.4
Sri Lanka[9]	(5)	133.29	+1.9	+33.3	142.24	+1.7	+42.2
Thailand	(52)	331.60	+5.0	+43.9	331.54	+4.7	+42.2
Euro/Mid East							
Greece	(17)	237.59	+1.4	+21.7	379.90	+2.6	+33.4
Jordan	(5)	173.89	+1.8	+48.8	246.38	+1.5	+48.8
Portugal	(16)	110.96	+1.6	+43.8	127.79	+2.9	+63.9
Turkey[10]	(31)	182.33	-0.6	+172.7	1,059.57	-1.1	+295.1

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Jan 3 1992; (5)Jan 4 1991; (6)Nov 6 1992; (7)Sep 28 1990; (8)Mar 1 1991; (9) Dec31 1992; (10)Aug 4 1989.

ASIA PACIFIC

Nikkei resumes advance as region consolidates

Tokyo

INDEX-LINKED buying by arbitrageurs and purchases of large-capital stocks by public funds lifted share prices, and the Nikkei average closed moderately higher, *writes Emiko Terazono in Tokyo.*

The 225-issue average gained 103.51 at 20,173.42, having opened at the day's low of 20,054.21 before rising to the high for the session of 20,221.72 in late morning trading.

Volume amounted to 234m shares, against 206m. Traders said investors would remain quiet until Prime Minister Morihiro Hosokawa's political reform bill passed through parliament. "Once the bill is approved, the government will be able to concentrate on measures to boost the economy," said one Japanese broker.

Overall falls retained a narrow lead over advances by 494 to 483, with 195 issues unchanged, but the Topix index of all first section stocks rose 3.40 to 1,647.86. In London the ISE/Nikkei 50 index put on 0.73 at 1,286.54.

Dealers said the Nikkei index has been stunted for the past few weeks due to selling by corporate investors, with small-lot buying support only coming from public funds and arbitrageurs. Mr Yasuo Ueki at Nikko Securities said: "Companies are expected to sell about Y1,000bn during the remainder of the fiscal year to March."

Among the large-capital stocks, Nippon Steel, the day's most active issue, firmed Y1 to Y332 and Mitsubishi Heavy Industries gained Y4 at Y679.

High-technology exporters were bought as beneficiaries of the yen's recent easing against the dollar. Sony advanced Y70 to Y4,830 and Matsushita Electric Industrial Y10 to Y1,510.

Heiwa, the pachinko pinball machine maker listed on the second section which is currently under police investigation, fell Y500 to Y3,450. Other leisure-related stocks were also weak, with Sega Enterprises down Y120 to Y9,750.

Telecom linked shares continued to sag on profit-taking. Nippon Telegraph and Telephone slipped Y10,000 to Y884,000, and Fujitsu was off Y2 at Y861.

Railway linked stocks were higher ahead of the listing of East Japan Railway next Tuesday. Nippon Signal rose Y40 to Y1,550 and Keihin Electric Express Railway Y18 to Y753.

In Osaka, the OSE average receded 43.83 to 22,156.12 in volume of 20.3m shares.

Roundup

MANY of the Pacific Rim markets continued to consolidate.

HONG KONG finished modestly ahead after a session that had seen the Hang Seng index swing between a 120-point deficit and a 100-point gain. The index finished 41.39 higher at 8,902.80 in turnover that shrank to HK$7.29bn from Tuesday's HK$9.55bn.

Mr Michael Paterson of Asia Equity commented that blue chips had been overbought and the market was broadening out into second liners and derivative instruments which had been left behind in the recent bull run. He thought that the current correction was very healthy, adding that he did not see the index moving upwards very far from its current level for the time being.

HSBC, which topped the actives list, was down 50 cents at HK$87, after slipping to a low of HK$86 following news of a provision for its Samuel Montagu unit.

AUSTRALIA pulled back to close weaker as profits were booked for the second consecutive day, and the All Ordinaries index finished 23.8 lower at 2,051.7 in turnover of A$412.2m.

The All Industrials index fell 35.7 to 3,179.6 and the All Resources 14.8 to 1,190.1. BHP ended 22 cents cheaper at A$17.40, while News Corp retreated 40 cents, or 3.4 per cent, to A$11.26.

SEOUL was lower in continued reaction to recent advances, but renewed interest in some shares with low price-to-book ratios neutralised much of an early decline. The composite stock index lost a net 2.61 at 738.63 in turnover of Won564.45bn.

TAIWAN saw late selling after a minor technical rally and the weighted index ended 11.86 off at 3,958.32 in turnover that fell to T$19.52bn.

SINGAPORE was easier on profit-taking, with sell-offs in selected index shares and some speculative issues dragging the market lower. The Straits Times Industrial index closed 12.42 down at 2,095.84, near the day's low of 2,093.07.

NEW ZEALAND lost ground, the NZSE-Capital index shedding 11.91 to 2,060.25. Telecom, still suffering from Merrill Lynch's change of recommendation on the stock, declined 7 cents to NZ$4.28.

MANILA, however, resumed its climb after Tuesday's respite, and the composite index appreciated 46.79 to a record 2,205.78.

KARACHI kept up its forward momentum with a gain in the KSE-100 index of 28.14 to 1,478.57, *writes Farhan Bokhari in Islamabad.* The market was helped by the victory of Ms Benazir Bhutto's PPP party in forming the government in the Punjab, Pakistan's largest and wealthiest province.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY OCTOBER 19 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY OCTOBER 18 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	155.77	+0.4	154.79	105.41	132.58	155.62	−0.4	3.32	155.21	153.61	105.42	131.29	156.19	155.77	117.39	119.67
Austria (17)	182.99	−0.8	181.83	123.83	155.74	155.83	+0.0	1.01	184.47	182.57	125.29	156.04	155.79	184.47	131.16	148.64
Belgium (42)	152.36	−0.4	151.39	103.09	129.66	134.32	−0.1	4.29	152.91	151.34	103.85	129.34	134.44	158.76	131.19	136.71
Canada (107)	130.06	+0.1	129.24	88.01	110.69	124.84	+0.0	2.68	129.97	128.63	88.27	109.93	124.89	130.38	111.41	115.07
Denmark (32)	235.12	−0.4	233.64	159.10	200.10	212.65	+0.2	1.07	235.96	233.53	160.27	199.59	212.13	239.12	185.11	191.86
Finland (23)	122.30	−0.2	121.52	82.76	104.08	145.80	+0.0	0.71	122.49	121.23	83.20	103.62	145.88	122.49	65.50	60.15
France (98)	167.60	−0.6	166.55	113.41	142.63	152.03	+0.0	3.05	168.55	166.82	114.47	142.56	152.09	173.05	142.72	147.83
Germany (60)	134.63	−0.9	133.78	91.11	114.57	114.57	−0.3	1.85	135.79	134.40	92.24	114.86	114.86	136.13	101.59	109.06
Hong Kong (55)	351.07	−1.7	348.86	237.56	298.80	348.46	−1.6	2.98	357.10	353.42	242.54	302.07	354.19	357.10	218.82	251.35
Ireland (14)	172.94	+0.4	171.85	117.02	147.18	170.70	+1.5	3.28	172.24	170.47	116.99	145.69	168.25	174.50	129.28	132.17
Italy (70)	71.00	−1.5	70.55	48.04	60.42	84.55	−1.1	1.98	72.09	71.35	48.96	60.98	85.50	78.93	53.78	55.06
Japan (469)	153.08	+0.2	152.12	103.59	130.30	103.59	−0.2	0.80	152.80	151.23	103.78	129.27	103.78	165.91	100.75	105.59
Malaysia (69)	454.41	+1.6	451.54	307.47	386.72	445.13	+1.6	1.56	447.05	442.45	303.63	378.13	437.92	455.41	251.66	254.55
Mexico (19)	1819.66	+2.2	1808.19	1231.33	1548.67	6189.41	+2.2	0.80	1779.90	1761.59	1208.92	1505.57	6058.04	1819.66	1410.30	1383.45
Netherland (24)	194.37	−0.4	193.14	131.52	165.42	163.27	+0.2	3.35	195.17	193.17	132.56	165.10	162.97	195.17	150.39	157.70
New Zealand (13)	64.59	−0.4	64.18	43.71	54.97	81.78	−1.0	3.59	64.82	64.16	44.03	54.84	82.38	64.82	40.56	38.79
Norway (23)	184.62	+0.0	183.65	125.06	157.30	179.99	+0.5	1.42	184.86	182.96	125.56	156.37	179.03	184.86	137.71	140.19
Singapore (38)	328.04	−1.4	325.97	221.98	279.18	238.17	−1.1	1.42	332.55	329.12	225.87	281.29	240.90	332.55	207.04	180.66
South Africa (60)	216.74	+1.2	215.38	146.66	184.46	197.55	+0.7	2.66	214.18	211.98	145.47	181.16	196.15	217.61	144.72	152.25
Spain (42)	142.62	−1.3	141.72	96.51	121.38	142.78	−0.3	4.09	144.44	142.95	98.10	122.17	143.23	144.44	115.23	113.31
Sweden (36)	207.22	−0.8	205.91	140.22	176.36	242.50	−0.5	1.39	208.92	206.77	141.90	176.72	243.63	208.92	149.70	152.47
Switzerland (50)	146.91	−0.9	145.99	99.42	125.05	131.52	−0.2	1.65	148.18	146.66	100.55	125.36	131.74	148.18	108.91	112.50
United Kingdom (218)	189.32	−0.6	188.13	128.10	161.11	188.12	−0.2	3.80	190.55	188.59	129.41	161.17	188.59	193.97	162.00	167.87
USA (519)	190.01	−0.5	188.82	128.58	161.72	190.01	−0.5	2.71	191.06	189.09	129.77	161.62	191.06	191.56	175.38	169.59
Europe (749)	161.08	−0.7	160.06	109.00	137.09	152.23	−0.2	2.97	162.24	160.57	110.20	137.24	152.55	162.97	133.92	135.51
Nordic (114)	193.42	−0.6	192.19	130.88	164.61	197.87	−0.2	1.24	194.54	192.54	132.13	164.56	198.25	194.54	142.13	142.16
Pacific Basin (713)	160.31	+0.1	159.30	108.48	136.44	112.78	−0.3	1.06	160.16	158.51	108.78	135.48	113.07	168.80	105.89	110.43
Euro-Pacific (1462)	160.52	−0.2	159.50	108.61	136.60	128.66	−0.2	1.85	160.91	159.25	109.28	136.10	128.96	162.86	117.26	120.58
North America (626)	186.28	−0.5	185.11	126.07	158.57	185.56	−0.5	2.70	187.26	185.33	127.20	158.42	186.54	187.68	171.51	166.20
Europe Ex. UK (531)	142.64	−0.8	141.74	96.54	121.42	131.10	−0.2	2.44	143.73	142.25	97.64	121.61	131.34	143.73	112.51	115.87
Pacific Ex. Japan (244)	230.57	−0.5	229.12	156.05	196.25	213.26	−0.6	2.72	231.62	229.24	157.34	195.94	214.64	231.62	152.70	157.92
World Ex. US (1648)	161.15	−0.2	160.13	109.05	137.15	130.83	−0.2	1.87	161.45	159.78	109.66	136.57	131.07	162.69	118.51	121.48
World Ex. UK (1949)	167.96	−0.3	166.80	113.59	142.87	145.36	−0.3	2.01	168.34	166.60	114.34	142.41	145.84	168.66	134.22	133.81
World Ex. So. Af. (2107)	169.54	−0.3	168.47	114.73	144.30	148.77	−0.3	2.18	170.11	168.36	115.55	143.90	149.26	170.46	137.29	136.77
World Ex. Japan (1698)	180.50	−0.5	179.36	122.15	153.65	175.38	−0.4	2.78	181.47	179.61	123.27	153.53	176.04	181.53	157.47	154.54
The World Index (2167)	169.75	−0.3	168.68	114.87	144.48	149.21	−0.3	2.18	170.30	168.55	115.67	144.06	149.69	170.68	137.32	136.77

Latest prices were unavailable for this edition.